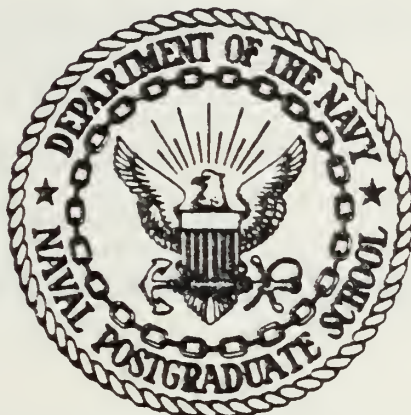


ANALYSIS OF FIELD ACTIVITY PERSPECTIVES OF
CENTRALIZED NON-APPROPRIATED FUND ACCOUNTING,
BANKING, AND PAYROLL PROCEDURES WITHIN THE
DEPARTMENT OF THE NAVY

Steven Jay Sonntag

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

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by

Steven Jay Sonntag

June 1982

Thesis Advisor:

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Accounting, Banking and Payroll Procedures
within the Department of the Navy

by

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Lieutenant Commander, United States Navy
B.A., University of California, Los Angeles, 1971

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

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ABSTRACT

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I. INTRODUCTION

A. GENERAL BACKGROUND

The Department of the Navy (DON) currently operates and maintains approximately 146 retail stores (post exchanges), 110 packaged liquor stores, over 300 officer and enlisted men's clubs (messes), 164 major recreation facilities, 175 auto service centers, 83 commissary stores, 326 barber and beauty shops, 37 Navy lodges, and a host of other services and facilities on behalf of active duty and retired military personnel and their dependents. [1] Collectively referred to as "Morale, Welfare, and Recreation" (MWR) activities, these services and facilities have, over the years, been expanded and promoted by the Navy and have played an increasingly important role in fulfilling the fundamental needs and expectations of many service members.

In the experiences of this author, most military personnel greatly appreciate and depend upon the many MWR services at their disposal. However, many of these same individuals paradoxically take them for granted in that they inaccurately perceive them as being permanent and inviolable benefits necessarily owed them in partial compensation for their willingness to endure generally lower pay than their civilian counterparts, frequent changes in duty station and family separations, and other inconveniences associated with military life. Based on this author's observations, this sort of

thinking is premised on a general lack of awareness of the legal realities and actual sources of financial support for Navy MWR activities.

Contrary to those who believe otherwise, currently existing military MWR programs are not guaranteed benefits nor are they specifically mandated in Federal legislation. Instead, the availability of MWR services to military service members is heavily dependent on the volume, management, and conscientious usage of the profits and fees generated by their own patronage of local exchanges, package stores, clubs, and recreation facilities. [2] For administrative and accounting purposes, these profits and fees are officially referred to as "nonappropriated funds." Their title is derived from the fact that, while they occupy the legal status of government funds, they are maintained separately and apart from the funds which are recorded in the books of the United States Treasury and are to be used solely for the collective benefit of military and authorized civilian personnel who were responsible for generating them. [3]

Within the DON, MWR activities receive approximately 75 percent of their funding support from the nonappropriated funds which they themselves generate. [4] Remaining support is derived from Congressionally appropriated funds. Over the past decade both the Navy and the other uniformed services have been under increasing pressure to make military MWR programs more self-sufficient and less dependent on Federally

appropriated funds. This pressure has originated from the appropriations process itself and through increased Congressional oversight of military MWR activities. Although annual Department of Defense (DOD) Appropriations Acts contain broad provisions for military "welfare and recreation," funding for these programs is channeled into general personnel, operations, and maintenance appropriations. [5] The amount of appropriated funds ultimately used in support of MWR programs is left to the discretion of each military service and must be decided upon within the context of other highly competitive spending priorities. Efforts to limit Defense spending have placed increasing pressure on the Navy to decrease the amount of appropriated funds used in support of MWR activities and rechannel those funds into more urgently needed mission requirements. These pressures have been brought about by the Government Accounting Office (GAO) which, through a series of audits and surveys, has repeatedly recommended to the Congress that military MWR activities either be reduced or made less dependent on Federally appropriated funds. [6] The GAO has taken the position that military members should be made to get along with fewer services or contribute more of their own monies in support of these activities. [7]

In the opinion of the author, efforts to curtail appropriated funding support for military MWR activities have been ill-timed in relation to recent military retention problems, particularly within the Navy. On the one hand, military

planners strongly desire to make available as many MWR services as possible to their members as incentives for retention. This is particularly important when reductions in MWR services are being viewed as an erosion of "benefits" by military personnel. On the other hand, Federally appropriated funds which might otherwise be used for MWR activities are being channeled elsewhere and the amount of continued Congressional support for military MWR programs is, at best, questionable. [8] In an effort to gain better control over the use of MWR resources and enhance the management credibility of these programs on behalf of an increasingly concerned Congress, the Navy has taken a series of steps to improve the manner in which both appropriated and nonappropriated funds are managed and accounted for by MWR field activities and at the headquarters level. Central to this effort has been the establishment of the Navy's Nonappropriated Fund Accounting System Section (NAFAS), a subsection of the Financial Management Branch of the Recreational Services Division of the Naval Military Personnel Command (NMPC).

Located at Naval Air Station, Patuxent River, Maryland, NAFAS presently performs centralized accounting and banking services in support of approximately 700 Navy MWR activities throughout the world. Additionally, NAFAS accounts for and manages a series of NMPC Central Funds. These funds are used as a vehicle for collecting, temporarily investing, and redistributing a variety of assessments and profits from Navy

MWR activities. This is done for the purpose of ensuring that at least part of the earnings generated by the profitable activities are redistributed in such a manner that the benefits from these earnings equitably accrue to the Navy community as a whole, including small or remotely located installations whose welfare and recreation activities are not self-supporting. Lastly, NAFAS sponsors a centralized Touch Pay System which currently services and accounts for a payroll consisting of approximately 20,000 nonappropriated fund employees. A detailed description of the accounting, banking and payroll services performed by NAFAS is included in Chapter II of this study.

B. PURPOSE AND OBJECTIVES OF RESEARCH

During recent hearings before the Nonappropriated Funds Panel of the House Armed Services Committee, the Navy was singularly praised by Congressional leaders for its many management initiatives in working toward the efficient and equitable use of nonappropriated funds on behalf of its members. [9] Within the Navy, NAFAS was subsequently accorded special recognition for its sustained superior performance in facilitating the improved management and use of nonappropriated funds. [10] The primary purpose of this study is to conduct an examination of the methods and procedures currently employed by NAFAS in managing the flow and control of nonappropriated funds within the DON and to evaluate the impact, positive or otherwise, which NAFAS has had on the financial management practices of Navy MWR field activities.

Among the many achievements for which it has been praised, NAFAS has been credited with having provided improved financial management information and guidance to field activity managers and with having significantly reduced the administrative requirements for routine bookkeeping at the field level. Reductions in bookkeeping have allegedly resulted in reducing the number of personnel assigned to field accounting duties and aggregate administrative overhead costs associated with Navy-wide MWR activities. [11]

During the course of this author's preliminary research, it was discovered that, while most of the achievements of which NAFAS has been credited are soundly based on auditable and verifiable data, alleged improvements involving the quality of financial management information and reductions in administrative workloading are not based on comprehensive or formal feedback from field activities themselves. It was further learned that, despite the many far reaching changes in nonappropriated fund accounting and banking procedures which have occurred over the past 15 years, no formal post-implementation survey has ever been conducted for the purpose of objectively measuring the impact of these changes on field activity managers in their day-to-day planning and operations. Accordingly, the specific objectives of this study are to:

1. Descriptively review and identify the basis for currently existing accounting, banking, and payroll services provided by NAFAS and examine the criteria upon which NAFAS presently measures and draws conclusions about its own performance.

2. Based on the collective experiences and perceptions of field activity managers, quantify and formally evaluate the performance of NAFAS with respect to:

- a. the timeliness and accuracy of centralized accounting services.
- b. the degree to which the financial management information and guidance provided by NAFAS has assisted field managers in planning and managing their operations.
- c. the approximate extent to which centralized banking, accounting, and payroll services have contributed to reductions in personnel and administrative overhead at the field activity level.
- d. the extent to which existing accounting, banking, and payroll procedures have either contributed to or inhibited management flexibility at the field activity level.

3. Evaluate whether or not actions can or need to be taken by NAFAS to improve the services which it provides to MWR field activities.

C. RESEARCH METHODOLOGIES

The research methods employed in this study include:

1. literature research,
2. interviews with the Director of NAFAS, other operational personnel at the headquarters level, and various field (club and recreation) managers, and
3. data collection (including financial statements provided by NAFAS and field activity responses to a formal questionnaire, which was developed by this author in conjunction with the Director of NAFAS and other persons experienced in nonappropriated fund accounting).

The format and contents of the author developed questionnaire were purposely designed to assist in meeting the stated objectives of this study. To facilitate the application of quantitative, statistical analysis to data received from

participating activities, most questions intentionally offer a limited number of pro forma responses. However, provisions for amplifying remarks and unformatted responses to certain questions have also been included for the purpose of gaining additional insights and discovering hitherto unforeseen problem areas and trends related to financial management at the field level. The data is presented and then analyzed by the author, and conclusions and recommendations are rendered.

D. THESIS ORGANIZATION

Chapter I briefly introduced the magnitude of Navy MWR programs, their reliance on nonappropriated funds support, and the increasing need for the conscientious management and usage of MWR resources within the military. NAFAS was then introduced and the impetus for planned research was provided. The author's objectives and research methodologies were also delineated.

Chapter II provides the reader with a broad overview of the nonappropriated funds flow process and describes the basis for the centralized accounting, banking, and payroll services presently utilized by MWR field activities and coordinated by NAFAS. The mission, objectives, and management perspectives of NAFAS are specifically defined and compared in scope with those of field activity managers. In describing their respective management horizons and performance measures, the groundwork is laid for a more objective analysis of how field activity managers view the efficiency and effectiveness with

which NAFAS provides centralized accounting, banking, and payroll services, improved financial management guidance, and reductions in clerical support at the field activity level.

Chapter III provides details of the analysis conducted. It commences by establishing the planned framework for analysis. Data is then presented, the tools of quantitative analysis are applied, and a discussion of structured responses to each survey question is provided. Lastly, a subjective analysis is applied to free form comments offered in the formal field surveys and in interviews with field activity managers. Problems, issues, and trends which were noticeably recurring in nature are identified and discussed.

In Chapter IV, the author summarizes the significant findings of the study. Conclusions and recommendations are drawn from the interpretation of data, quantitative analysis, and trends identified in free form commentary and field interviews. Lastly, concluding remarks are made by the author and the requirement for further analysis is discussed.

II. BACKGROUND

A. INTRODUCTION

The purpose of this chapter is to provide sufficient background information to enable the reader to fully understand the analysis which is presented in Chapter III. With this objective in mind, the contents of this chapter include:

1. A broad overview of the Nonappropriated Funds (NAF) flow process within the Department of the Navy (DON) in order to locate and preview the responsibilities of the Nonappropriated Funds Accounting System Section (NAFAS) within that process.

2. An overview of the mission and organization of NAFAS, including a summary of internal operations, management perspectives and a closer look at the details of centralized accounting, banking, and payroll procedures.

3. A general description of the operational environment in which field activity managers must manage and account for their resources.

Prior to addressing the above topics, it should be mentioned that current policies governing Navy Morale, Welfare, and Recreation (MWR) Programs and the operations of NAFAS are spread about in numerous written publications, instructions, notices, letters, messages, and memoranda. During the course of research it was discovered that, in several instances, actual operating practices do not necessarily correspond to written policy guidance. In other instances, established operating procedures were not documented in writing at all. This was especially true of operations observed within NAFAS. In the opinion of the author, all of these conditions are traceable to the continuously changing policy decisions and

management methods associated with MWR programs in the DON, which are extremely sensitive to and driven by shifts in Congressional policies. Regardless of their underlying cause, the existence of these conditions has necessitated heavy reliance on the author's personal observations and interviews with key NAF personnel in developing the background material for this chapter.

It should also be mentioned that, due to the highly technical nature of this chapter, reference citing can be taken to unmanageable extremes. In an effort to preclude the referencing of each and every sentence, the following are cited as common sources in the development of these discussions:

1. Centralized Accounting, Banking and Payroll Procedures

a. NAVSO P-3519, handbook on "Nonappropriated Fund Financial Management Standards and Policies."

b. NAVSO P-3520, handbook on "Nonappropriated Fund Accounting Procedures."

c. The Naval Comptroller (NAVCOMPT) Manual.

d. "The Bureau of Naval Personnel Training Course for Centralized Accounting and Centralized Banking Systems" (Self-Paced).

e. Self-Paced "Criterion-Referenced" Instruction Manuals for Navy Mess and Consolidated Package Store (CPS) Accounting (7 volumes).

f. Amendment for Solicitation NR 66540-81-R-0500, which summarizes the mission and organization of NAFAS.

g. Touch-Pay System Users Manual.

h. Interviews and subsequent phone conversations with the following NAF Officials:

1. Mr. Bob Bieshelt, Director, NAFAS.

2. Mr. Thomas Tubbs, Assistant Director, NAFAS.

3. Mr. Charles Hoffman, Central Fund Accounting Unit Head, NAFAS.
4. Mr. Peter Hirschman, Field Accounting and Banking Services Unit Head, NAFAS.
5. Mr. Bruce Fahnestock, Systems Control/Data Entry Supervisor, NAFAS.
6. Mrs. Joyce Ramsey, Supervisor of Banking Services, NAFAS.
7. Mr. Dick Scehnet, Accountant for Banking Facilities Obligations, NAFAS.
8. Mr. Charles Nesci, Accounting Technical Field Accounting, NAFAS.
9. Mr. Larry Sparks, Recreation Director, Naval Postgraduate School, Monterey, California.

2. NMPC Central Fund Management/Cashflows

- a. Management Consulting Report M00031 of March 1981. "Review of Alternative Methods of Distributing Navy Exchange Profits for Recreation Program Support," prepared by the Management Consulting Division of the Naval Audit Service.
- b. U.S. Congress, House Committee on Armed Services, Hearings before the Nonappropriated Fund Panel of the Investigations Subcommittee of the Committee on Armed Services, 1979. (House document #96-27).
- c. "Navy Recreation: An Overview," by Robert C. Perry, The Navy Supply Corps Newsletter, November 1978.
- d. Bureau Naval Personnel (BUPERS) Instruction 1710.11, Special Services Manual, including message changes thereto.
- e. NAVPERS 15951, Manual for Messes Ashore, including message changes thereto.
- f. BUPERS Instruction 1746.5A, "Packaged Alcoholic Beverage Sales at Navy Installations."
- g. BUPERS Instruction 10150.2C "Slot Machine Operations."
- h. The Navy Exchange Manual.

i. Naval Military Personnel Command (NAVMILPERSCOM) Notice 1742 of 8 July 1980. "Nonappropriated Fund Financial Planning for Open Messes, Consolidated Package Stores, and Common Support Service Offices."

j. NAVMILPERSCOM Notice 7010 of 19 May 1980, "Special Services Nonappropriated Fund Operational Budget."

k. Interviews and subsequent phone conversations with the following NAF officials:

1. Mr. Gerry Eckenfels, Head Field Support Section, Recreational Services Division (Code 65) of the Naval Military Personnel Command (NMPC).
2. Mr. Greg Schnitzler, Investment Administrator, NMPC-65.
3. Mr. M. Esposito, Accounting Branch Manager, Navy Resale and Services Support Office (NAVRESSO).
4. Mr. Joe Lance, Executive Director, Navy Motion Picture Service (MPS).
5. Previously mentioned NAFAS personnel.

B. OVERVIEW OF THE NAF FLOW PROCESS

In the experience of this author, developing a clear understanding of Navy MWR programs and the NAF flow process associated with them was made unnecessarily difficult due to inconsistencies in written terminology, definitions, and professional jargon which were encountered in formal instructions, Congressional testimony, and oral interviews with key NAF program officials. For example, the terms "MWR activities," "recreational activities," "special services activities," and "recreation activities" are frequently used in an interchangeable manner by NAF officials, despite subtle differences in what these terms are intended to mean according to their formal

definitions. In an attempt to reduce or eliminate similar problems in this study, Appendix A provides definitions of these and other terms which are considered fundamental to the ultimate understanding of this work and supporting research literature.

In the opinion of the author, the overlap, ambiguity, and the potential for inconsistency in the usage of the terms contained in Appendix I are self-evident. Accordingly, Exhibit II-1 has been constructed to more clearly illustrate the relationship of these terms as they will be used by the author. As shown in this exhibit, the MWR activities at a Navy shore installation typically consist of retail and recreational activities. Recreational activities are further broken down into two subcategories: leisure time dining and drinking activities (Navy Messes and Clubs) and general recreation activities. The aggregate of all general recreation activities constitute what is commonly referred to as the Navy's Special Services Program.

General recreation ("special services") activities are funded and administered through a local command recreation fund. Although the Commanding Officer of a Navy shore installation is normally assigned the overall responsibility for administering the local recreation fund, the details of fund management and accounting are typically delegated to a local department, division, or some other organizational component within the command. For mailing and administrative purposes, these components are variously referred to as Special Services

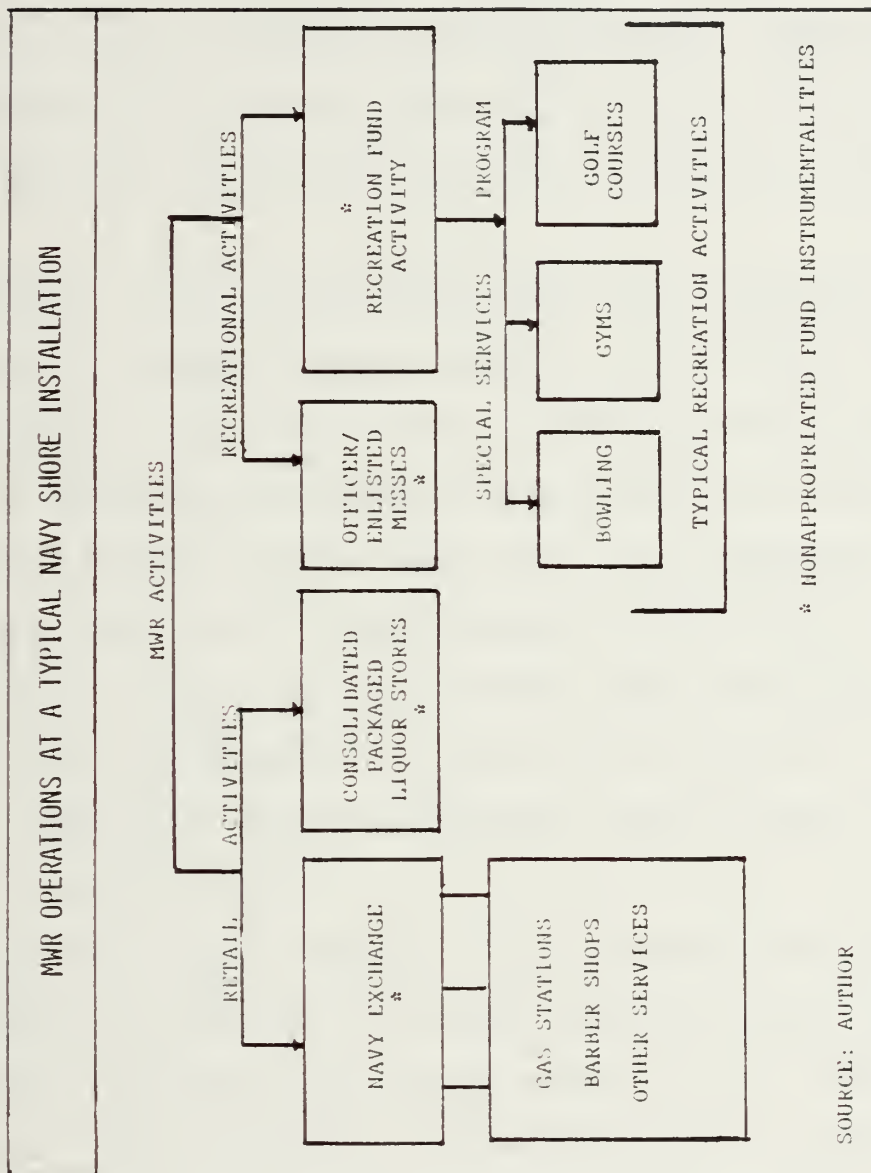


Exhibit II-1. MWR Operations at a Typical Navy Shore Installation

Departments or Divisions, Recreation Departments or Divisions, Recreation Service Management Offices, or some other organizational title. Despite dissimilarities in their titles, they all perform essentially the same functions. [12] Accordingly, for the purposes of this study, the term "Recreation Fund Activity" shall be applied to organizational components of shore based installations which are directly responsible for the management and accounting control over local recreation funds.

Exhibit II-1 also indicates that Navy Exchanges (NEX's), Consolidated Packaged Stores (CPS's), Navy Messes (Clubs), and Recreation Fund Activities are designated and concurrently serve as Nonappropriated Fund Instrumentalities (NAFI's). As previously defined, NAFI's are fiscal and management entities which are organized for the purpose of administering non-appropriated funds. Within the DON, they are authorized and established individually or jointly by the Chief of Naval Personnel (CHNAVPERS) and the Commander, Naval Supply Systems Command (NAVSUP). [13]

During the early stages of this research, the author experienced difficulties in differentiating between MWR activities and NAFI's since Navy Messes, CPS's, NEX's, and Recreation Fund Activities concurrently serve as MWR Activities (e.g., provide goods and services to military patrons) and NAFI's (e.g., are authorized to maintain custody and accounting control over nonappropriated funds). Subsequent research revealed that not all MWR activities (such as

bowling alleys and golf courses) are designated as NAFI's. In this instance, the local Recreation Fund Activity serves as the authorized NAFI and is accountable for all resident or "subordinate" general recreation activities. Conversely, there are several NAFI's which are not in the business of directly providing goods and services to military patrons and function solely as financial management and accounting entities. The best example of this is NAFAS itself, which exercises substantial accounting control over nonappropriated funds but is not in the business of directly providing goods and services to military members and therefore cannot be co-labelled an MWR activity. The importance of clearly distinguishing between NAFI's and MWR activities is driven by the fact that NAFI's (and not MWR activities) serve as the conduits or linkages for the NAF flow process within DON. Consequently, this distinction can be helpful in fully understanding the NAF flow process itself.

When aggregated, the range of MWR activities provided to military personnel is so extensive that senior military officials have found it necessary to segregate MWR activities and their supporting NAFI's into the following broad categories for administrative management purposes:

<u>CATEGORY</u>	<u>DESCRIPTION</u>	
I	Armed Forces Exchanges	
II	Other Revenue and Resale Sharing (e.g., Consolidated Package Stores)	
III	Military General Welfare and Recreation	
IV	Civilian Employee General Welfare and Recreation	
V	Open Messes (Clubs)	
VI	Other Membership Associations	
VII	Common Support Service NAFI's	
VIII	Supplemental Mission Services (e.g., BOQ's)	[14]

Appendix B contains a detailed listing of the various services and facilities included under each MWR category. Exhibit II-2 reiterates the above MWR categories and displays cost data showing the amounts of appropriated and nonappropriated funds spent on each MWR category with the DON. Cost figures contained in this exhibit were based on a demographic survey (vice purely historical cost data) conducted in 1976 by an Office of Management and Budget/Department of Defense study group. These absolute dollar amounts offer insights in terms of MWR program emphasis and NAF spending priorities with the DON. Furthermore, they provide a basis for explaining the current organizational structure for the management and administration of NAFI's within the DON.

As indicated in Exhibit II-2, 56 percent of all NAF resources are channeled into Category I (NEX) activities. Approximately 44 percent of all NAF resources are channeled into the seven remaining MWR categories. Although these percentages fluctuate from year to year, they point out the relative size, scope, and importance of the NEX Program when

FINANCIAL SUPPORT OF DOD MWR ACTIVITIES WORLDWIDE
(Extrapolated for Fiscal Year 1976)

Category	ARMY		AIR FORCE		NAVY		USMC		TOTAL DOD	
	RAF Support (\$'000)	AFF Support (\$'000)	RAF Support (\$'000)	AFF Support (\$'000)	RAF Support (\$'000)	AFF Support (\$'000)	RAF Support (\$'000)	AFF Support (\$'000)	RAF Support (\$'000)	AFF Support (\$'000)
I	\$71,000*	\$49,776*	-----	-----	\$77,802	\$25,606	\$2,701	\$4,300	\$831,563	\$119,682
II	\$1,909	\$1,856	\$25,863	\$1,209	\$1,278	\$1,818	\$3,065	\$447	\$7,115	\$15,330
III	\$6,067	\$20,221	\$73,859	\$96,021	\$56,767	\$1,222	\$12,491	\$15,584	\$209,154	\$273,048
IV	\$1,874	\$117	\$93	\$42	\$1,181	\$239	\$6	\$5	\$4,004	\$403
V	\$22,639	\$27,347	\$130,624	\$27,160	\$70,834	\$18,724	\$21,768	\$8,436	\$355,925	\$81,667
VI	\$13,676	\$2,937	\$6,864	\$1,009	\$1,383	\$33	\$595	\$27	\$22,518	\$4,006
VII	\$13,133	\$2,881	\$1,812	\$16,180	\$11,009	\$1,776	-----	\$3,169	\$25,754	\$24,006
VIII	\$9,779	\$11,242	\$9,813	\$325	\$5,346	\$2,131	\$363	\$124	\$65,351	\$13,822
TOTAL	\$862,197**	\$266,377**	\$459,718	\$141,946	\$368,610	\$91,549	\$91,029	\$32,092	\$1,591,584	\$531,964

GRAND TOTAL: \$2,123,548

*ARMY AIR FORCE EXCHANGE SERVICE (AAFES)
**INCLUDES AAFES

DATA SOURCE: 1976 Demographic Survey

EXHIBIT

Exhibit II-2. Financial Support of DOD MWR Activities Worldwide

compared to other MWR programs within the DON. While it is the primary consumer of NAF's within the Navy, the NEX Program not only pays for itself but also generates substantial profits which are used to partially defray the costs of General Welfare Recreation (Category III) Programs. For example, NEX profits distributed to Navy recreation programs exceeded 40 million dollars in fiscal year 1979 alone and sales revenues generated by NEX's have exceeded one billion dollars annually since 1974. [15] Due to its enormous size and complexity, the NEX program is managed and operated separately from all other MWR programs.

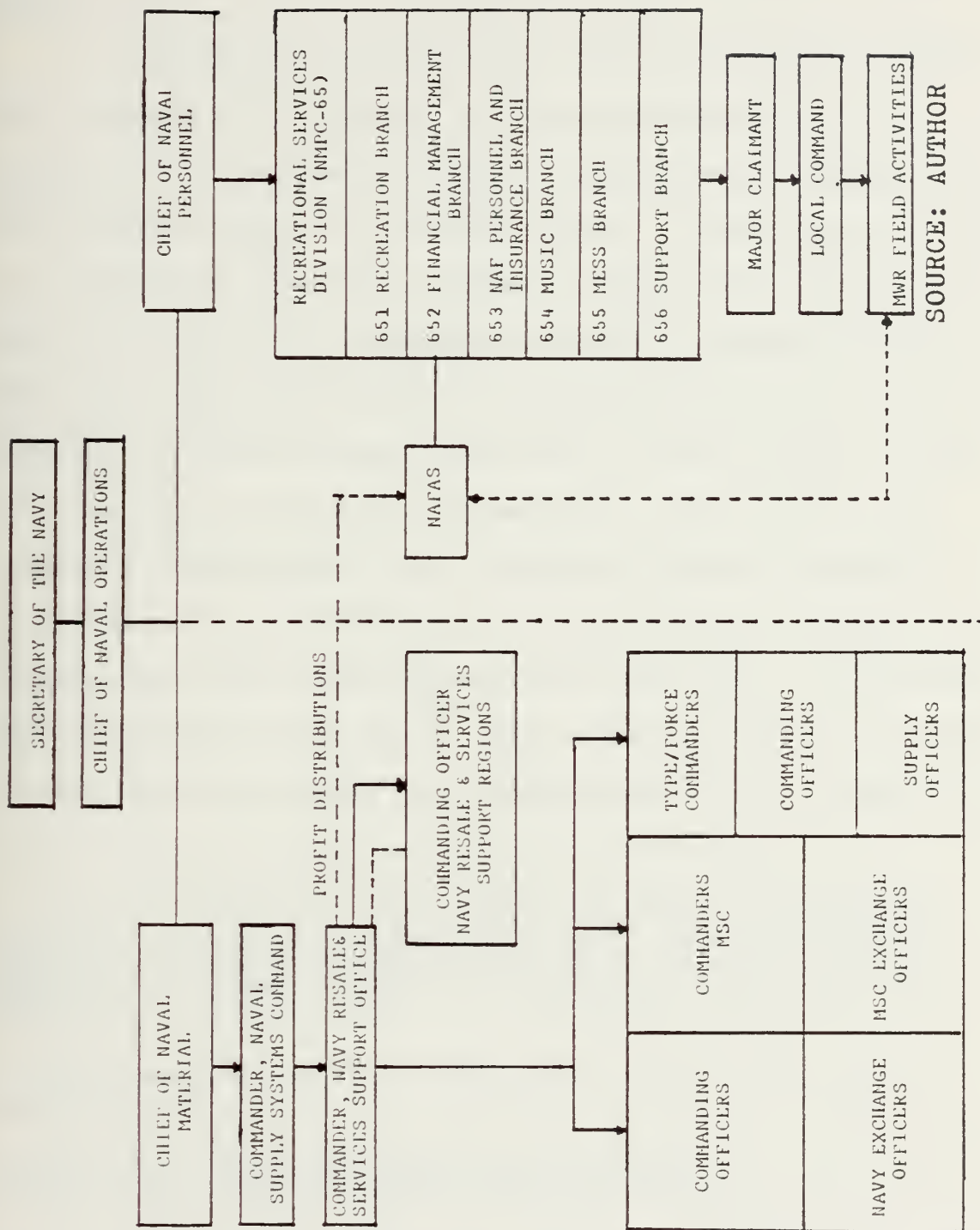
Exhibit II-3 was constructed by the author to delineate the functional lines of authority and responsibility associated with Navy MWR programs and to distinguish the separate chains of command which exist for the NEX Program and "other" MWR programs. Although NAVSUP is ultimately responsible for the NEX Program, it is physically coordinated and centrally administered by the Navy Resale and Services Support Office (NAVRESSO) located in Brooklyn, New York. Among other things, NAVRESSO performs the following support services on behalf of Navy Exchanges:

1. Centralized accounting on a worldwide basis, including preparation of monthly financial statements on behalf of each exchange.
2. Prepares and distributes, on a weekly basis, over 20,000 paychecks for NEX employees.
3. Controls worldwide self-insurance and employee benefit programs.

4. Negotiates merchandise price agreements and contracts.
5. Monitors and analyzes merchandise management and operating results for each exchange.
6. Plans and coordinates the refurbishment and construction of Navy Exchange facilities.
7. Purchases equipment for NEX's.
8. Conducts training for civilian managers of NEX departments and provides inputs to the NEX Officer training program.
9. Performs inspections, audits, and internal reviews.
10. Coordinates the distribution of NEX and Ship's Store profits of Navy recreation programs. [16]

As shown in Exhibit II-3, CHNAVPERS is assigned overall responsibility for the management of all MWR programs and activities other than those associated with the NEX Program. In this capacity CHNAVPERS is the "designated agent of the Chief of Naval Operations (CNO) for the supervision of all Navy-wide recreation programs" and is specifically tasked with:

1. Providing a method that will ensure an equitable distribution of recreation funds throughout the Navy. Only the CHNAVPERS shall have the authority to levy assessments upon recreation funds of activities afloat and ashore;
2. Considering requests for funds from commanders in the chain of command above the unit level to support area/command-wide recreation programs;
3. Promulgating directives and guidelines which will ensure the most efficient management and operation of special services activities and open and closed messes, including instructions for conducting audits;
4. Reviewing and approving proposals and budgets for construction, alteration, and repair projects involving special services activities and open and closed messes.
5. Audit and survey special services activities and open and closed messes as necessary to ensure effective management;



SOURCE: AUTHOR

Exhibit II-3. Functional Lines of Authority within Navy MWR Programs

6. Providing, as required, guidance and assistance to immediate superiors in command in the inspection of special services activities and open and closed messes; and

7. Reviewing and concurring in all NEX related projects in excess of \$25,000.00 for construction, alteration, or repair. [17]

As evidenced by the NAF usage data contained in Exhibit II-2, Category III (General Welfare and Recreation) and Category V (Open Messes/Clubs) are the largest consumers of NAF dollars outside of the NEX Program. Recreational activities comprising these two categories represent the primary thrust of the Navy's composite recreation program. Under CHNAVPERS, the Recreational Services Division of the Naval Military Personnel Command (NMPC-65) is specifically tasked with the day to day duties of managing, coordinating, and centrally administering Navy Messes and General Recreation Activities as well as Category II (Consolidated Package Liquor Stores) and other miscellaneous MWR activities. To this end, NMPC-65 performs many of the same support functions on behalf of its field activities that NAVRESSO performs on behalf of NEX's. These include, but are not limited to:

1. Provisions of centralized accounting and banking services, including the preparation of periodic (normally monthly) financial statements for mess, recreation fund activities, package stores, and billeting fund activities (BOQ's).

2. Supervision of NAF employee insurance and benefit programs.

3. Monitoring and analyzing the operating performance of mess, CPS, and recreation fund activities.

4. Establishing financial operating standards for mess, CPS, and recreation fund activities.

5. Controlling and coordinating the flow of funds for the construction or refurbishment of mess, CPS and recreation facilities.

6. Controlling and coordinating the flow of funds for the purchase of major mess and recreation equipments.

7. Conducting management training for mess, CPS, and recreation managers.

8. Performing inspections, audits, and internal reviews of mess, CPS and recreation fund activities as requested by mess, CPS and recreation managers of their immediate superiors in command (ISICS).

9. Managing the NMPC Central Fund which involves collecting NAF's from profitable MWR activities (e.g., NEX's and CPS's), temporarily investing them in short term debt instruments, and equitably distributing the principal and interest from those investments in recreation programs throughout the Navy for the purpose of ensuring that equitable mess and recreation services accrue to all Navy personnel on a worldwide basis.

10. Formulating budget guidance and approving budget requests for all mess, CPS and recreation fund activities. [18]

As depicted in Exhibit II-3, NAFAS is organized and operated under the cognizance and guidance of the Head of the Financial Management Branch within NMPC-65. Serving as the accounting arm for NMPC-65, NAFAS either directly performs or in some way supports many of the aforementioned services for which NMPC-65 has been credited. [19] Exhibit II-3 was intended by the author to locate NAFAS within the hierarchy of the DON's management structure. Instead Exhibits II-4 and II-5 have been constructed to indicate NAFAS's actual involvement in the NAF flow process. Due to the detailed nature of these exhibits and the complexity of the NAF flow process itself, they should be thoroughly reviewed.

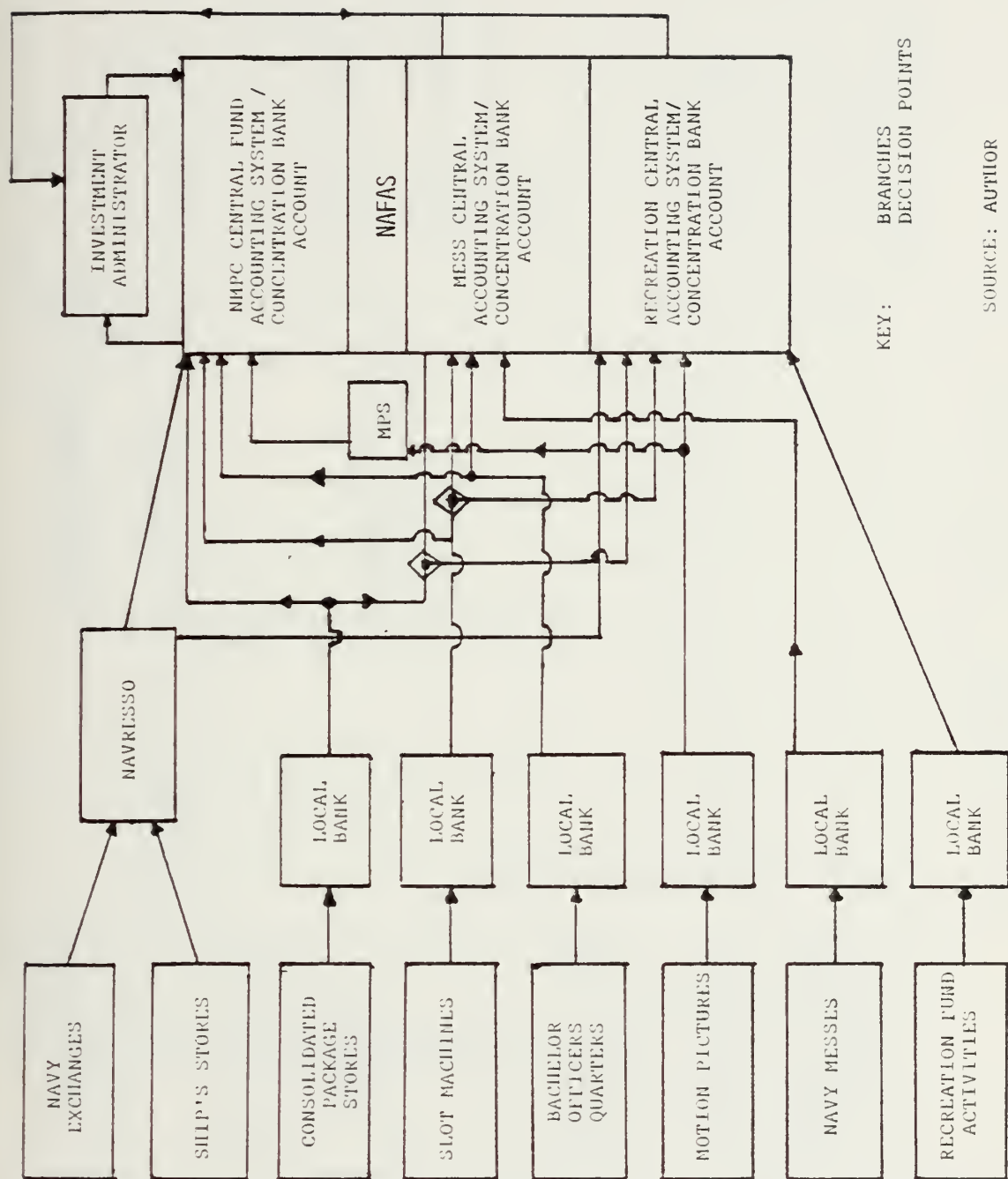
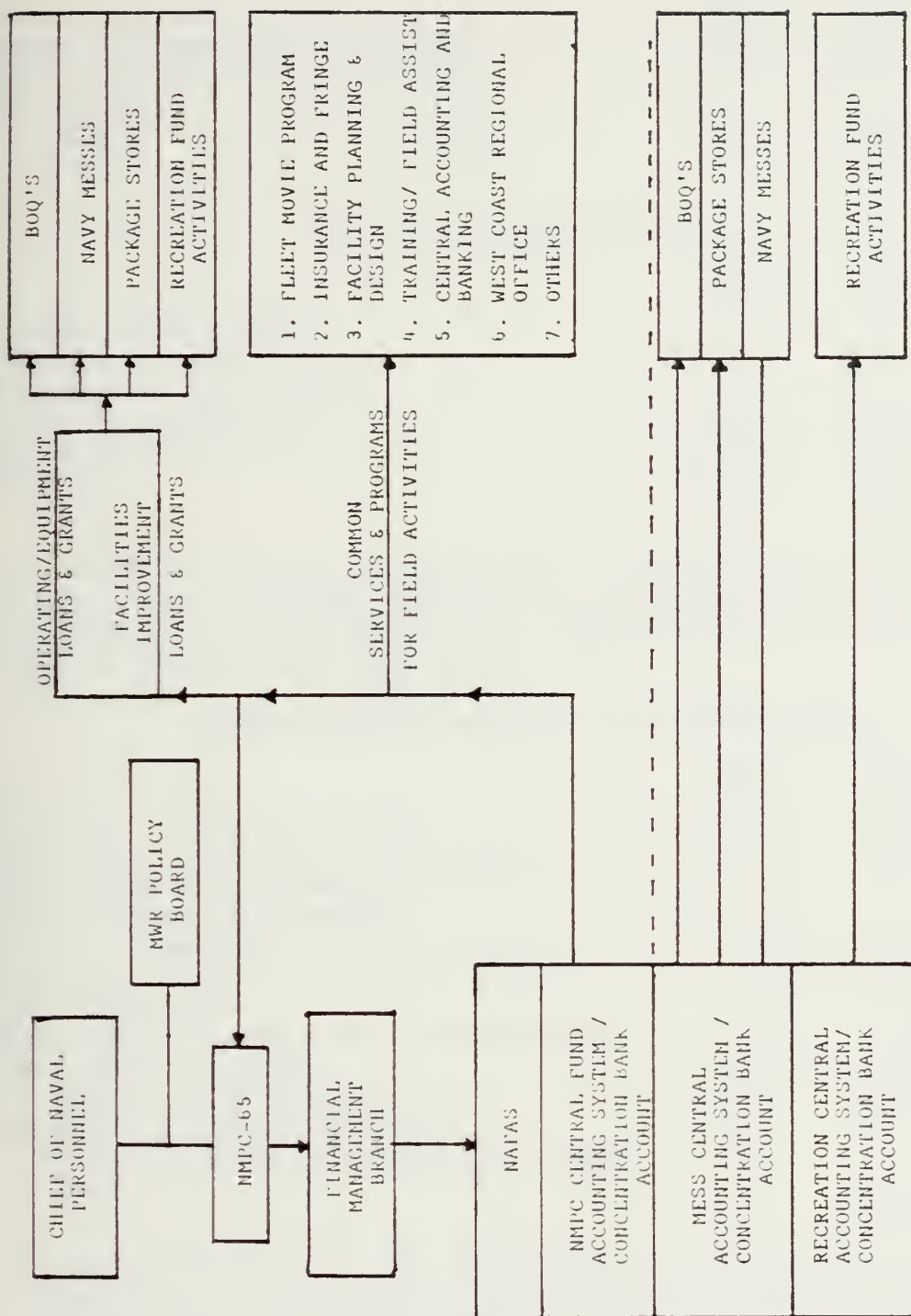


Exhibit II-4. NAF Flow Process - Sources of Funds



SOURCE: AUTHOR

Exhibit II-5.
NAF FLOW PROCESS - USES OF FUNDS

ASSETS

	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>
Committed Cash	\$47.2	\$53.0	\$51.5
Loans & Accounts Receivable	\$24.0	\$21.3	\$18.5
Navy Lodge Loan Receivable	\$ 8.7	\$ 8.0	\$-0-
Other Assets	\$.2	\$.3	\$.4
Total	\$80.1	\$82.6	\$70.4
		\$ In Millions	

LIABILITIES AND NET WORTH

	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>
Current Liabilities			
(e.g., Vendor Bills)	\$ 4.7	\$ 6.7	\$ 7.0
Long Term Liabilities			
Facility Projects*	\$28.6	\$32.4	\$42.2
Funded Reserves	\$-0-	\$ 2.6	\$ 1.6
Net Worth	\$46.8	\$40.9	\$19.6
Total	\$80.1	\$82.6	\$70.4
		\$ In Millions	

* In addition to these contractual liabilities at the end of FY77, FY78 and FY79, there were approved facility improvement projects being designed which totalled \$25.3M, \$31.0M, and \$38.9M respectively by fiscal year.

FUNDS RECEIVED DURING EACH FISCAL YEAR

	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>
Exchange Assessments @50%	\$18.2	\$17.8	\$18.7
Mess, CPS & Billeting Assessments	\$ 2.1	\$ 2.5	\$ 2.7
Slot Machine Assessments	\$ 2.1	\$ 2.0	\$.7
Ships' Stores Assessments	\$ 1.8	\$ 2.2	\$ 2.1
Movie Assessments & Reimbursements	\$ 2.8	\$ 3.0	\$ 2.6
Interest Income**	\$ 5.8	\$ 8.4	\$11.7
Loan Repayments	\$ 3.0	\$ 3.5	\$ 2.3
Prior Year Income and Residual Funds	\$ 3.4	\$.3	\$.6
Other Sources (Net)	\$ 1.2	\$ 2.4	\$ 1.5
Total Funds Taken In	\$40.4	\$42.1	\$42.9
Reduction in Committed Cash	\$-	\$-	\$ 1.5
Total Sources of Funds That Were Used	\$40.4	\$42.1	\$44.4
		\$ In Millions	

** Interest earned on the investment of temporarily idle cash balances in the Central Fund and Field Banking System. Average invested funds were \$103.9M, \$117.1M, and \$121.1M respectively by fiscal year.

[Source: NAFAS]

Exhibit II-6. Central Funds Status at the End of Each Fiscal Year

FUND USAGE

	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>
Disbursements for:			
Facility Improvement Grants	\$10.1	\$10.5	\$12.6
Facility Improvement Loans	\$ 2.3	\$.7	\$.7
Operations/Equipment Grants	\$ 6.1	\$ 9.9	\$12.8
Operations/Equipment Loans	\$.2	\$.2	\$.3
Services & Programs for Field Activities	\$10.6	\$13.6	\$16.5
Rec Services Div Costs	\$ 1.3	\$ 1.4	\$ 1.5
Total Disbursements	\$30.6	\$36.3	\$44.4
Added to Commitments for:			
Facility Improvement Program	\$ 9.8	\$ 5.8	\$-0-
Total Funds Used	\$40.4	\$42.1	\$44.4
		\$ In Millions	

SERVICES AND PROGRAMS FOR FIELD ACTIVITIES

(Costs Paid by Central Funds)

	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>
Fleet Movie Program	\$ 1.5	\$ 5.1	\$ 4.2
Insurance and Fringe Benefits	\$ 4.5	\$ 4.6	\$ 5.7
Facility Planning and Design	\$ 2.0	\$ 1.3	\$ 2.7
Training and Field Assistance	\$ 1.0	\$ 1.0	\$ 1.1
Central Accounting and Banking	\$.9	\$.8	\$.9
Sports and Recreation Programs	\$.4	\$.4	\$ 1.3
West Coast Regional Office	\$.2	\$.3	\$.4
Other	\$.1	\$.1	\$.2
Total	\$10.6	\$13.6	\$16.5
		\$ In Millions	

Exhibit II-6. (cont'd)

Exhibit II-4 identifies the primary sources of funds for which NAFAS has accounting responsibility and presents a model of how the outflows of NAF's from these sources are ultimately channeled into one of three separate concentration bank accounts, each of which has its own separate accounting system. Those instances in which Exhibit II-4 simplifies the known realities of actual funds movements are thoroughly explained in supporting commentary and primarily involve automated transfers of funds to, from, and within the concentration bank accounts.

Though the details of centralized accounting and banking procedures are rendered in subsequent sections of this study, a brief overview is needed at this point to facilitate a clearer understanding of the NAF flows which are illustrated in Exhibit II-4. As depicted in this exhibit, NAF's funds emanating from NEX's, Ship's Stores, CPS's, slot machines, Bachelor Officer's Quarters (BOQ's), motion picture theaters, Navy Messes (Open), and Recreation Fund activities ultimately end up in a Central Fund Concentration Bank Account, Mess Central Concentration Bank Account, or Recreation Central Concentration Bank Account located at the First National Bank (FNB) of St. Louis, Missouri. The Central Fund Concentration Bank Account serves as a repository for the collection, subsequent investment, and controlled disbursement of a variety of profits and assessments levied by CHNAVPERs on specific field activities (e.g., those shown in Exhibit II-4) in support

of a NMPC Central Fund. The Mess Central Concentration Bank Account serves as the primary banking repository for approximately 516 Messes, CPS's, and BOQ's. Lastly, the Recreation Central Concentration Bank Account serves as the primary banking repository for 164 Recreation Fund Activities. [20]

As illustrated in Exhibit II-4, Messes, CPS's, BOQ's, and Recreation Fund Activities also maintain depository accounts with local banks. Cash receipts from sales, fees, or charges are deposited into these local accounts on a daily basis and accounting source documents reflecting these deposits are concurrently prepared and forwarded to NAFAS by mail. Upon receiving these source documents, NAFAS verifies their accuracy and then inputs them into either the Mess Central Accounting System (MCAS) or Recreation Central Accounting System (RCAS), which are computerized and electronically linked to FNB St. Louis via taped teleprocessing. Upon electronically receiving notification of local deposits by activities participating in the MCAS or RCAS system, FNB St. Louis automatically debits either the Mess Central or Recreation Central Concentration Bank Account and then forwards a depository transfer check (DTC) to their local bank directing the transfer of the deposit amount from the local bank to FNB St. Louis. Under this system, local depository bank accounts maintained by MCAS/RCAS participants are used solely for the safekeeping of daily cash collections and as a vehicle for transferring funds into the concentration banking system. Except for

petty cash, authorized payroll, credit card or foreign currency accounts, all cash disbursements made by these field activities are paid out by checks drawn against the Mess Central or Recreation Central Concentration Bank Account in St. Louis and not their local bank account. [21]

From the standpoint of FNB St. Louis, the Mess Central and Recreation Central Concentration Bank Accounts are merely two of the three large bodies of cash maintained in their bank by the "Navy" (the Central Fund Concentration Account being the third). However, from the standpoint of NAFAS and participating field activities, these large concentration accounts represent the aggregation of hundreds of smaller bank accounts. Through the MCAS and RCAS, which are operated by NAFAS, cash assets that are maintained in the concentration bank accounts at FNB St. Louis are administratively and functionally divided into smaller bank accounts in which the current cash balances of each participating field activity are maintained. These smaller bank accounts are hereafter referred to as MCAS/RCAS bank accounts.

Copies of all deposit slips and checks which are written against the concentration bank accounts by participating field activities are attached to the accounting source documents that are forwarded to NAFAS on a daily basis. NAFAS then debits or credits the appropriate MCAS/RCAS bank account of each activity by entering the source date received from each activity into the computerized MCAS and RCAS systems.

Other than actually serving as the physical repository for cash receipts, one of NAFAS's primary missions is to perform all banking services on behalf of participating field activities that they could normally expect to receive if their monies were retained in a checking account with their local bank. Accordingly, NAFAS maintains running account balances, reconciles the accounts, and forwards monthly financial statements to each field activity. [22]

The foregoing discussion of the accounting-banking relationship which exists between NAFAS, FNB St. Louis, and participating field activities was included to facilitate a better understanding of the NAF flows depicted in Exhibit II-4. Taking these relationships into account, actual cash outflows from each of the activities shown in Exhibit II-4 occur as presented in the following subsections.

1. NEX's

NEX's utilize pro forma procedures developed by NAV-RESSO for determining their net profit margin at the end of each accounting month. From this net profit margin, deductions are made for reinvestment in the NEX program and other pre-established exemptions such as snack bar and vending operations. Following these deductions, the remainder of profits from each exchange are made available for distribution to Navy Recreation Funds. Of those profits available for distribution, current CHNAVPERs policy stipulates that 50 percent be transferred into the NMPC Central Fund and 50

percent be transferred into the local recreation fund of the command where the NEX is located. [23]

As illustrated in Exhibit II-4, NAVRESSO coordinates the collection of NEX profit distributions and their subsequent transfer into the NMPC Central Fund and Recreation Central Fund Concentration Bank Accounts. Utilizing accounting source documents received from NAVRESSO, NAFAS ensures that debits are properly recorded in the appropriate RCAS bank accounts of the Recreation Fund Activities for which local profit distributions are intended. These debits are reflected in the financial statements which are forwarded to each Recreation Fund Activity by NAFAS following the end of each accounting month. [24]

2. Ship's Stores

Ship's stores are retail stores operated aboard afloat units. They are required to contribute to the NMPC Central Fund and are currently assessed at the following monthly rates:

- a. Personnel allowance of below 500 - 3.5 percent of total ship's store sales.
- b. Personnel allowance between 500 and 1500 - 4.5 percent of total ship's store sales.
- c. Personnel allowance above 1500 - 5 percent of total ship's store sales. [25]

As shown in Exhibit II-4, NAVRESSO coordinates the collection of ship's store sales assessments and their subsequent transfer into the Central Fund Concentration Bank Account.

3. CPS's

Profit distributions from CPS's have been the subject of considerable controversy in recent years, stemming from the fact that for years CPS profits were used exclusively to subsidize the Navy Mess System. Through this arrangement, unprofitable messes have been kept in operation and profitable messes have been afforded the opportunity to provide substantial price breaks on food and drinks to their customers. [26] Taking exception to this practice, GAO has pressed for and has been successful in affecting major policy changes with respect to CPS profit distributions. Briefly summarized, GAO's position is that unprofitable messes (except those located in remote areas) should be disestablished, profitable messes should be self-sustaining, and that CPS profits should be used for general recreation programs to enable the Congress to ultimately reduce Federally appropriated funding support for those programs. [27]

With this in mind, 25 percent of all CPS profits are currently being channeled into the NMPC Central Fund. The remaining 75 percent of CPS profits are distributed to the local Commanding Officer of the base or installation where the CPS is located. [28] The base or installation commander then has the prerogative of using all or part of these monies to support local club operations or to direct that they be put into the local command recreation fund. This "decision point" is represented as a diamond shape in Exhibit II-4.

According to current doctrine, the use of CPS profits to support local mess operations must be based on a "demonstrated need." Furthermore, no single mess type (e.g., Officer, Chief Petty Officer, or Enlisted Mess) is entitled to more than its pro rata share of CPS profits based on the patronage of its members. Military patrons are required to indicate their rank or grade on the sales receipts of all liquor purchases. These sales receipts serve as the statistical basis for determining the maximum pro rata share of CPS profits which can be spent on each local mess. Permission to forego this pro rata requirement for CPS profit distributions to local messes must be obtained from CHNAVPERs. [29]

As shown in Exhibit II-4, cash outflows from CPS's can ultimately end up in all three of the accounting systems/concentration bank accounts managed by NAFAS. But this exhibit does not truly reflect how this is done. As previously discussed, all CPS sales receipts are deposited locally and subsequently transferred into the Mess Central Concentration Bank Account. The 25 percent profit distribution ultimately destined for the NMPC Central Fund is automatically transferred by NAFAS from the Mess Central Concentration Bank Account to the Central Fund Concentration Bank Account at the end of each accounting month. A credit entry is recorded in the CPS's MCAS account. Profit distributed to local messes and/or recreation funds are paid out by checks drawn against the MCAS account. In the case of checks made payable to

local messes, the amount for which the check is written is debited to the club's MCAS account and credited to the package store's MCAS account. In the case of checks made payable to local recreation funds, the amount for which the check is written is transferred from the MCAS account of the CPS to the RCAS account of the appropriate Recreation Fund Activity. [30]

Due to recommended changes in CPS profit usage by the House Armed Services Committee, by Fiscal Year (FY) 1982, 50 percent of all CPS profit distributions will be directed into the NMPC Central Fund. By FY 1983, it is anticipated that 100 percent of all CPS profits will be deposited in the NMPC Central Fund. [31] Accordingly, local commanders will be afforded a diminishing role in the distribution of CPS profits and many of the procedures which have been previously described will no longer apply.

4. Slot Machines

Slot machines are owned and operated by the local messes or special services departments of overseas Naval installations. Current policy guidelines stipulate that 50 percent of slot machine profits will accrue to the activity owning the machines and that the remaining 50 percent will be distributed to the NMPC Central Fund. However, local Commanding Officers are accorded the flexibility of evaluating the needs of each mess and the Special Services Department within their command and may, at their choosing,

direct that all retained profits accrue to the activity where the slot machines are physically located, normally on or adjacent to clubs. [32] Furthermore, all or part of the NMPC Central Fund assessment has been waived in recent years in an attempt to improve the solvency of overseas messes. [33]

5. BOQs

BOQs typically generate monies from service charges, linen charges, rental charges, and sundry sales and are currently required to contribute three percent of their total sales revenue to the NMPC Central Fund. [34] This assessment stems from the fact that BOQs are required by Congressional mandate to use civilian NAF employees in clerical, bookkeeping, and janitorial positions rather than military personnel. Accordingly, the NMPC Central Fund supports the cost of general administration, accounting, Certified Public Accountant audit, insurance and NAF employee benefit programs for BOQs. Central Fund assessments are levied on BOQs to defray these costs. Exhibit II-4 illustrates how BOQs participate in the MCAS. Sales assessments on BOQs are automatically computed and transferred by NAFAS from the MCAS account of the BOQ to the Central Fund Concentration Account on a monthly basis. [35]

6. Motion Pictures

The NMPC Central Fund currently provides approximately five million dollars to the Fleet Movie Program on an annual basis. Consequently, shore based movie theaters are required to remit approximately 50 percent of their revenues (e.g.,

42 cents out of each 85 cent admission charge) from theater admissions to the Navy Motion Picture Service (MPS), Brooklyn, New York. MPS then forwards these monies to NAFAS for subsequent deposit in the NMPC Central Fund Concentration Basic Account. As depicted in Exhibit II-4, revenues which are left over after the NMPC assessment are deposited in local recreation funds and ultimately end up in the Recreation Central Concentration Bank Account. In return, local recreation funds are used to defray the costs of operating the theater. [36]

7. Navy Open Messes

As shown in Exhibit II-4, Navy Officer, Chief Petty Officer, and Enlisted Messes participate in the MCAS and Mess Central Concentration Banking System. In the manner previously described, revenues from operations are locally deposited and subsequently transferred into the Mess Central Concentration Bank Account via depository transfer check. [37] Exhibit II-4 accurately reflects the fact that Navy Messes are not currently required to contribute to the NMPC Central Fund.

8. Recreation Fund Activities

It has been a long standing Naval tradition that Commanding Officers of units afloat and ashore be granted the authority and responsibility for providing for the morale and welfare needs of their subordinates. This tradition has been perpetuated by the philosophy that local commanders are

in the best position to observe and judge what the recreational needs of their subordinates actually are. In keeping with this tradition, general recreation programs are, as previously mentioned, administered and controlled through a series of local command and major command recreation funds. At the end of FY 1979, 857 recreation funds were in operation throughout the Navy. Of these, 166 were designated participants of the Recreation Central Accounting System (RCAS) operated by NAFAS. One hundred sixty-four activities currently participate in the system. Generally speaking, RCAS participants consist of major command (e.g., CINCPACFLT, CINCLANTFLT) Recreation Fund Activities and the Recreation Fund Activities of significant shore based establishments, which are located both in the continental United States (CONUS) and abroad. [38]

As shown in Exhibit II-4, Recreation Fund Activities do not contribute to the NMPC Central Fund nor are they expected to. On the contrary, they are the primary entities for which Central Fund dollars are generated and targeted. Although they are not expected to generate profits, Recreation Fund Activities are required to budget for and maintain various levels of self-sufficiency in the operation of local recreation programs. Assigned levels of self-sufficiency are established by NMFC-65 and take into account projected income from participation fees or charges for the use of local equipments and facilities by military patrons and income from recreation resale activities (e.g., golf pro shops, snack bars at bowling alleys). [39]

The final topic for discussion in connection with Exhibit II-4 is the NMPC-65 Central Fund Investment Administrator whose job underscores the theory and objectives of concentration banking. Working in close conjunction with NAFAS and FNB St. Louis, the investment administrator is responsible for generating investment earnings on the cash assets of the NMPC Central Fund (Central Fund Concentration Bank Account). This individual is also authorized to borrow from and temporarily invest idle cash balances of the Mess Central and Recreation Central Concentration Bank Accounts which are considered to be in excess of the aggregate daily operating requirements of participating field activities. [40] Funds borrowed in this manner are referred to as MCAS/RCAS Loan Payables.

Current policies authorize the Investment Administrator to invest in short term certificates of deposit (CDs), treasury issues, the issues of other federal agencies, minority banks and overnight repurchase agreements. Investments in repurchase agreements are necessitated by the fact that at least part of the investment portfolio must be available for immediate liquidation in the event that the daily cash operating requirements of MCAS/RCAS field activities are greater than projected and cause the Mess Central or Recreation Central Bank Accounts to be drawn below the minimum compensating balances required by FNB St. Louis. [41] According to the current investment administrator, forecasting the daily cash

requirements of MCAS/RCAS field activities is more of an art than a science and frequently involves a significant amount of guesswork in addition to daily telephone reports from FNB St. Louis advising of current fund balances within the Mess Central and Recreation Central Bank Accounts. NAFAS supports the investment process of keeping the investment administrator informed of daily cash deposits and withdrawals from the Central Fund Concentration Bank Account. Using informal memoranda received from the investment administrator, NAFAS also posts all outstanding investments to the general ledger of the Central Fund Accounting System and ensures that accrued interest earnings on these investments are recorded on a monthly basis. [42]

Prior to the implementation of centralized accounting and banking procedures, significant amounts of idle cash lay dormant in the local "five percent" savings accounts and checking accounts of MWR field activities. [43] This practice became increasingly unacceptable in light of rising economic inflation and the increased earnings potential of short term debt instruments. A recent monthly investment summary prepared by the investment administrator (Appendix C) shows that investment earnings under the concentration banking system approximate one million dollars per month or 12 million dollars per year. Appendix D shows that budgeted operating costs for NAFAS for FY 1981 are 1.2 million dollars or .1 million dollars per month. In the opinion of the author,

these figures strongly attest to the advantages of concentration banking in terms of improving the Navy's NAF posture as a whole.

Exhibit II-5 schematically completes the NAF flow process in which NAFAS participates and traces the outflows of cash from each of the three concentration bank accounts to recipient activities and programs. Like Exhibit II-4, this exhibit is a somewhat simplified representation of a more complex reality and is not intended to stand alone in the absence of supporting discussion.

The redistribution of Central Fund monies is a stringently controlled process which begins with the Navy's MWR Policy Board. Chaired by CHNAVPERS, the MWR Policy Board consists of flag representatives from seven major naval commands. [44] The Chief of Chaplains and the Commanding Officer, NAVRESSO are also assigned to the board, which is required to meet not less than annually to discuss and develop broad policies involving the use of MWR resources including: programs for the construction or refurbishment of recreation facilities, area MWR problems and requirements, and the financial condition of existing MWR programs, both individually and as a whole. Policies involving assessments and profit collections on behalf of the NMPC Central Fund are established by the MWR Policy Board. [45]

NMPC-65 is responsible for translating the broad policies of the Navy's MWR Policy Board into the programming

and budgeting guidance from which the annual NAF budgets of MWR field activities are prepared. Budget guidance pertaining to Navy Messes, CPSS and BOQs is formulated and forwarded separately from that governing Recreation Fund Activities. Among other things, guidelines for budget preparation typically include a discussion of constraints on funds availability, inflation factors to be considered, a discussion of major policy revisions, self-sufficiency standards, budget submission deadlines, and various details associated with forms completion and budget formatting. [46]

Field activities are required to submit their annual NAF operating budget requests to NMPC-65 for review. In those instances where the budget submission of a particular field activity is considered to be vague or not in keeping with promulgated guidance, interim communications in the form of telephone calls and written correspondence normally ensue between NMPC-65 and the requesting activity. Ultimately, NMPC-65 forwards the results of individual budget reviews in letter format to the originating activity, stipulating the amount of funds which are to be made available for the forthcoming fiscal year. Where applicable, reasons are given for not funding the activity's requested budget amounts.

It should be noted that Exhibit II-5 is divided into two halves. The upper half of this exhibit depicts the programs and purposes for which NMPC Central Fund monies are disbursed. The lower half of this exhibit merely serves as

a reminder that Messes, CPSSs, BOQs, and Recreation Fund Activities actually receive their monies through appropriate debits to the Mess Central or Recreation Central Concentration Bank Accounts and credits to the Central Fund Concentration Bank Account. These transactions are recorded by NAFAS in accordance with the funding approval letters which are forwarded to field activities by NMPC-65. [48]

Exhibit II-6 summarizes the yearly dollar amounts of cash inflows (sources) and outflows (uses) through the NMPC Central Fund during the period FY 1977 - FY 1979, and is intended to reinforce both Exhibit II-4 and the upper half of Exhibit II-5. As shown in this exhibit, over 50 percent of NMPC Central Fund monies were disbursed to various MWR field activities in the form of Operations/Equipment grants and Facilities Improvement Grants during the stated period.

The category "Operations/Equipment" grants consists of two types of grants -- operating grants and grants for the purchase of capital equipments which exceed 100 dollars in unit acquisition value and have a life expectancy of more than one year. Operating grants are primarily used to maintain the operating solvency of worldwide recreation programs.

Recreation Fund Activities are required to maintain minimum levels of self-sufficiency in their operations. These self-sufficiency levels are based on a fixed percentage of the total dollar resources required to operate existing local recreation programs. For example, if the total cost of

operating all local recreation programs at an activity is \$100,000.00 and the assigned self-sufficiency level for the activity is 70 percent, then the activity is expected to generate \$70,000.00 in revenues from local participation fees and charges and (e.g., golf fees, swimming pool admission, equipment rentals) and recreation resale activities (e.g., golf pro shop, snack bars). Projected NEX and CPS profits are then added to this self-sufficiency figure to determine the size of the operating grant which the activity must request from the NMPC Central Fund in its annual operating budget submission to NMPC-65. [49]

The use of operating/equipment grants in the aforementioned manner offers the following advantages from a headquarters perspective: .

1. Mandates justification for equipment purchases, thereby controlling frivolous purchases of unnecessary equipments. [50]

2. Ensures that equitable recreation programs and services are made available to military personnel at remote or isolated installations or at commands where NEXs and CPSs are either non-existent or unprofitable. This is done by varying the required level of self-sufficiency among field activities. In some instances, recreation fund activities must rely on NMPC Central Fund monies for nearly 100 percent of their operating needs. On the other hand, profitable field activities may be required to sustain a self-sufficiency level of

as high as 70 percent and are strongly encouraged to attain even higher levels of self-sufficiency. [51]

3. Improves efficiency by forcing local commanders and Recreation Fund Managers to develop and expose their financial plans for the operation of local recreation programs. This reduces or eliminates the frivolous use of recreation revenues by profitable commands at the expense of less profitable commands. [52]

4. Provides a mechanism for ensuring compliance with promulgated MWR policy decisions. For example, operating budget reductions can be invoked on local commands for failing to comply with directed cutbacks in NAF personnel. Similarly, budget reductions can be used to force local commands to raise their participation fees and charges if going rates are deemed disproportionately low relative to the costs of operating local programs. [53]

Facilities improvement grants are used to fund various types of construction, alteration, maintenance, and repair projects from the NMPC Central Fund on behalf of MWR field activities. A detailed discussion of the various procedures which are involved in the requesting and subsequent approval of facilities improvements grants is considered to be beyond the scope of this study. However, the following items deserve mentioning:

1. Requests for facilities improvement grants are not integral to the previously discussed annual operating budget

submissions of the various MWR field activities, but are processed separately. [54]

2. An ongoing program for the prioritization and funding of facilities improvements is operated in parallel with the previously described program of operating grants which are used to fund the solvency needs of various field activities. [55]

3. In a manner similar to that of operating/equipment grants, the centrally controlled disbursement of facilities improvement grants is designed to ensure that the benefits to be derived from facilities improvements equitably accrue to all Navy personnel on a worldwide basis. [56]

4. When directed by NMPC-65, NAFAS is responsible for debiting the appropriate MCAS/RCAS accounts for the amounts authorized in the facilities improvement grants. These debits are not recorded as block grants. Instead, the MCAS/RCAS accounts are debited on an incremental basis when successive stages of construction and/or refurbishment are completed by the project contractor. [57]

Although a financial framework exists for the funding of grants and loans to Recreation Fund Activities, Messes, CPSSs, and BOQs from the NMPC Central Fund, priorities for their funding and the policies limiting their use vary between program categories. The following briefly summarizes some of these differences:

1. As a whole, Recreation Fund Activities routinely receive operating, equipment, and facilities improvement grants and loans on an ongoing basis due to the high priority for achieving equitable Navy-wide Recreation programs and the need for supplemental funding in order to sustain them. [58]

2. Although Messes and CPSs are eligible for and frequently receive grants and loans for facilities improvements, they are required to be self-sustaining in terms of their normal operations. This means that they are required to generate sufficient net profits to provide for their operating expenses, loan repayments, and capital expenditures. Accordingly, operating grants for Messes and CPSs are infrequent, discouraged, and authorized only under extraordinary circumstances. [59,60]

3. Monies from the NMPC Central Fund are used to defray certain personnel-related and administrative costs associated with operating BOQs. These costs are paid for via direct billings to NAFAS and not via operating grants. [61] Hitherto, BOQs have been ineligible for grants and loans from the NMPC Central Fund. However, as of this writing, this policy is being changed to allow loans and grants to be made available for:

- a. Initial resources to newly established BOQs.
- b. To cover unforeseen expenses resulting in deficit cash positions.

c. To procure equipment or furnishings that cannot be purchased with appropriated funds or cannot be economically and systematically acquired through the use of available billeting fund revenues.

d. To fund required minor construction, alterations, repairs, or improvements for which appropriated funding is not available. [62]

As shown in Exhibits II-5 and II-6, other uses of NMPC Central Funds include the costs of operating the Recreational Services Division and a cadre of general services and programs which are operated on behalf of the various MWR activities within the Navy. A detailed discussion of each of these general services and programs is considered irrelevant to the central focus of this study. However, the costs associated with providing them are summarized separately at the bottom of Exhibit II-6.

In concluding this overview of the NAF flow process, it must be emphasized that procedures governing the flow and control of NAFs within the DON are dynamic with respect to time and are continuously modified from year to year. For example, beginning in FY 1982, equipment grants will apply to the purchase of nonexpendable property with a unit acquisition cost of \$300.00 and a useful life of two years in lieu of the previously mentioned \$100.00/1 year criteria which are currently used. [63] Therefore, many of the details contained in the author's narrative are applicable to the present, but may

not be of long-lasting duration. This notwithstanding, it is believed that the overriding objective of showing what NAFAS does within the larger context of the NAF flow process has been achieved and that the basic mission of NAFAS is not likely to be drastically altered within the foreseeable future.

C. THE MISSION AND ORGANIZATION OF NAFAS

The intent of the preceding section was to briefly describe the broad policies and the investment philosophy behind the Navy's centralized accounting and banking system. Contrastingly, this section focuses on the specifics of centralized accounting and banking procedures by:

1. Describing how accounting and banking operations within NAFAS are internally structured.
2. Reviewing the administrative requirements which NAFAS imposes on field activities in terms of the timing and flow of accounting source documents into the MCAS and RCAS.
3. Describing the products and services which NAFAS provides to participating field activities.
4. Describing the measures and standards with which NAFAS evaluates its own performance.

Exhibits II-7 through II-10 detail the organizational structure of NAFAS. As shown in Exhibit II-7, NAFAS is divided into three functional departments -- the Central Fund Accounting Unit (CFAU), the Field Accounting and Banking Services Unit (FABS), and the Production Systems Unit (PSU). Exhibits II-8 through II-10 further specify the organizational structure within each of these three departments.

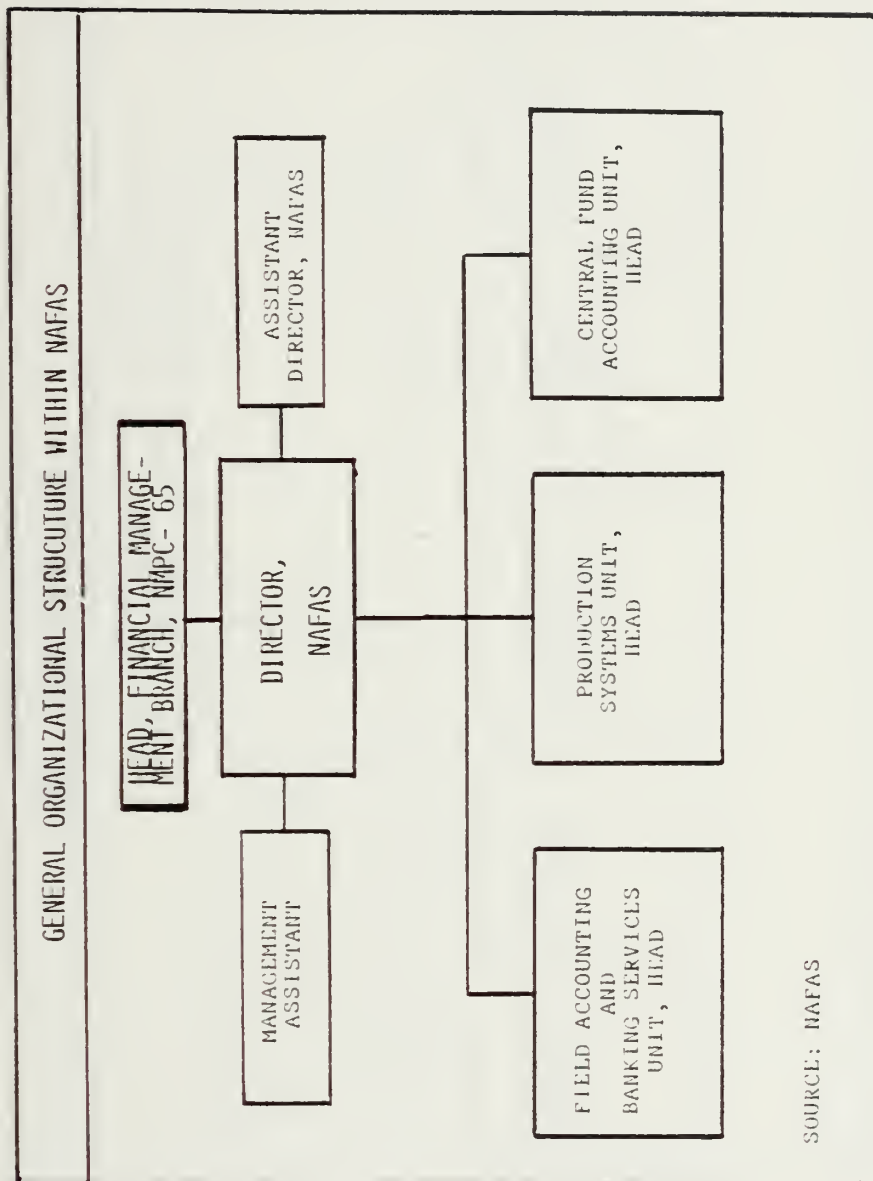


Exhibit II-7. General Organizational Structure within NAFAS

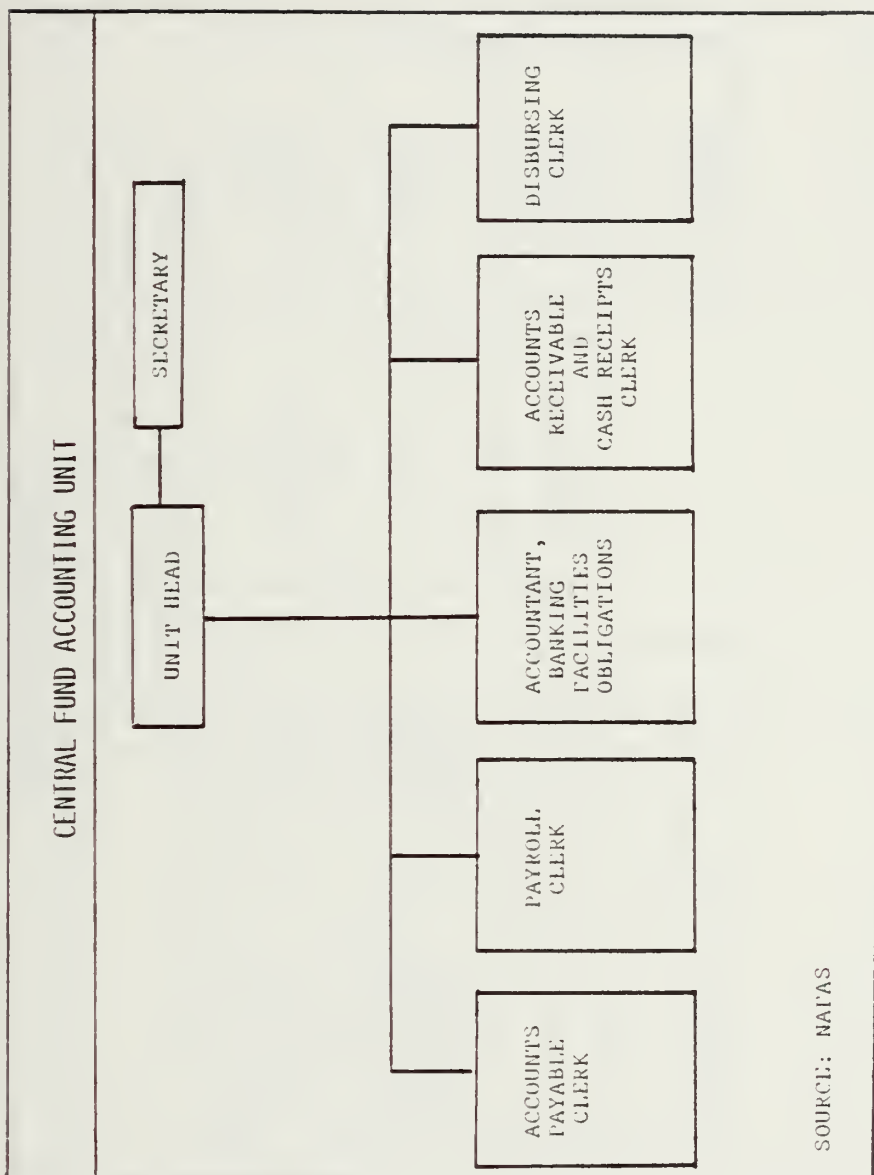


Exhibit II-8. Central Fund Accounting Unit

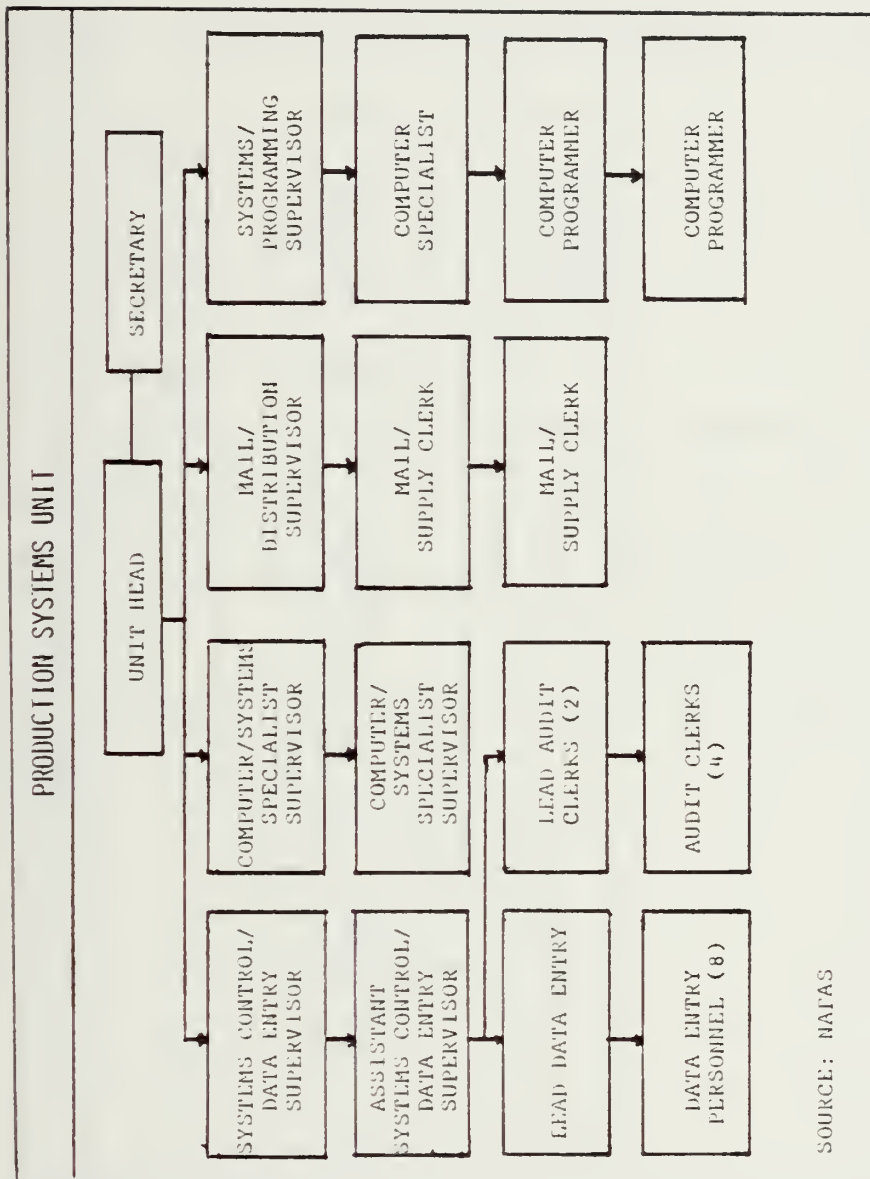


Exhibit II-9. Production Systems Unit

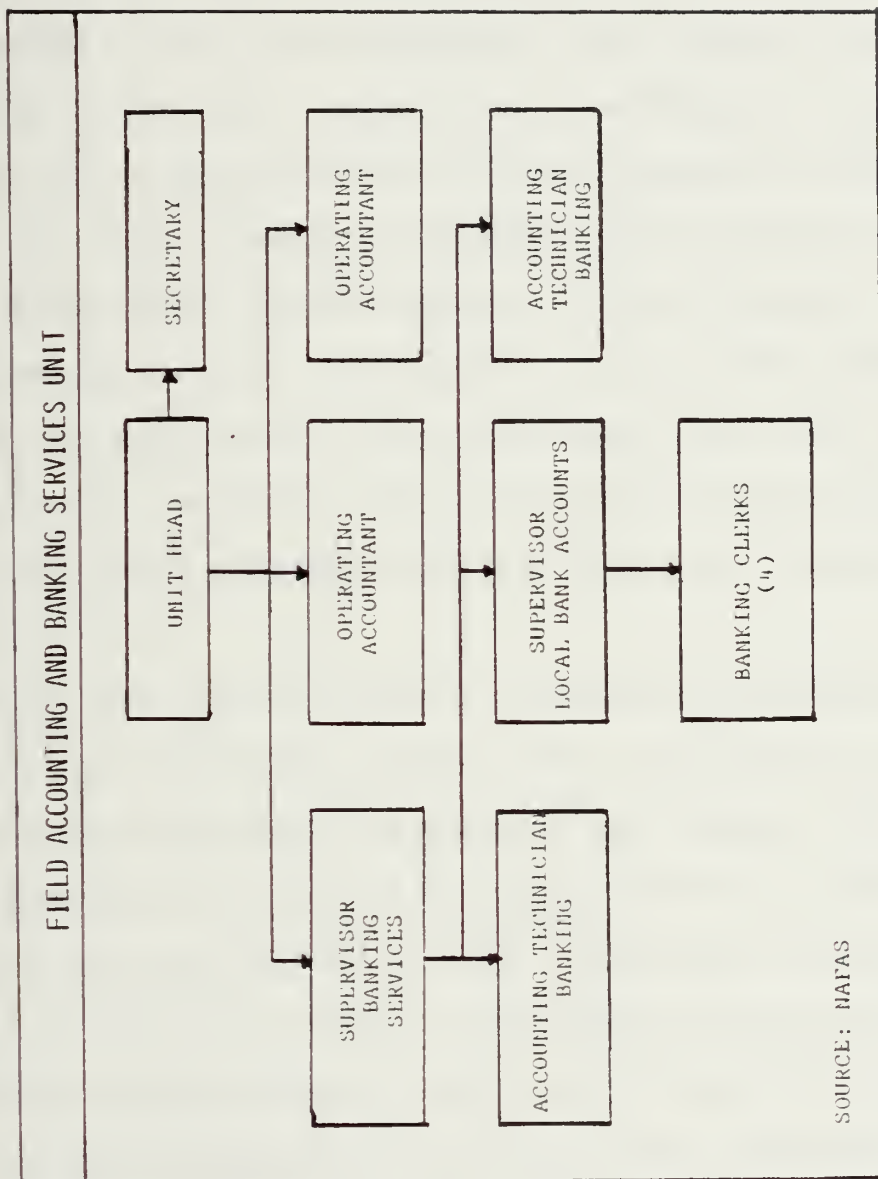


Exhibit II-10. Field Accounting and Banking Services Unit

The CFAU is tasked with accounting for all revenues and expenditures flowing into and out of the NMPC Central Fund. To this end, it is the responsible department within NAFAS that works closely with FNB St. Louis and other management personnel within NMPC-65 in overseeing the collection of assessments, profit distributions, and investment earnings on behalf of the NMPC Central Fund; coordinating the internal transfer and redistribution of funds between the three concentration bank accounts; and making cash payments on direct billings for which the NMPC Central Fund is liable. [64] Due to its small size and specialized function within NAFAS, the CFAU is not responsible for interfacing with field activities in the routine matters of day to day accounting and banking and is therefore accorded little subsequent discussion in this study.

Unlike the CFAU, the Field Accounting and Banking Services Unit and the Production Systems Unit are directly involved in the ongoing provision of accounting and banking services and the preparation of monthly financial reports on behalf of MCAS and RCAS participants. [65] Significant discussion is devoted to these two units in subsequent paragraphs. However, a thorough understanding of what they do can best be achieved by first introducing the accounting source documents around which their operations revolve.

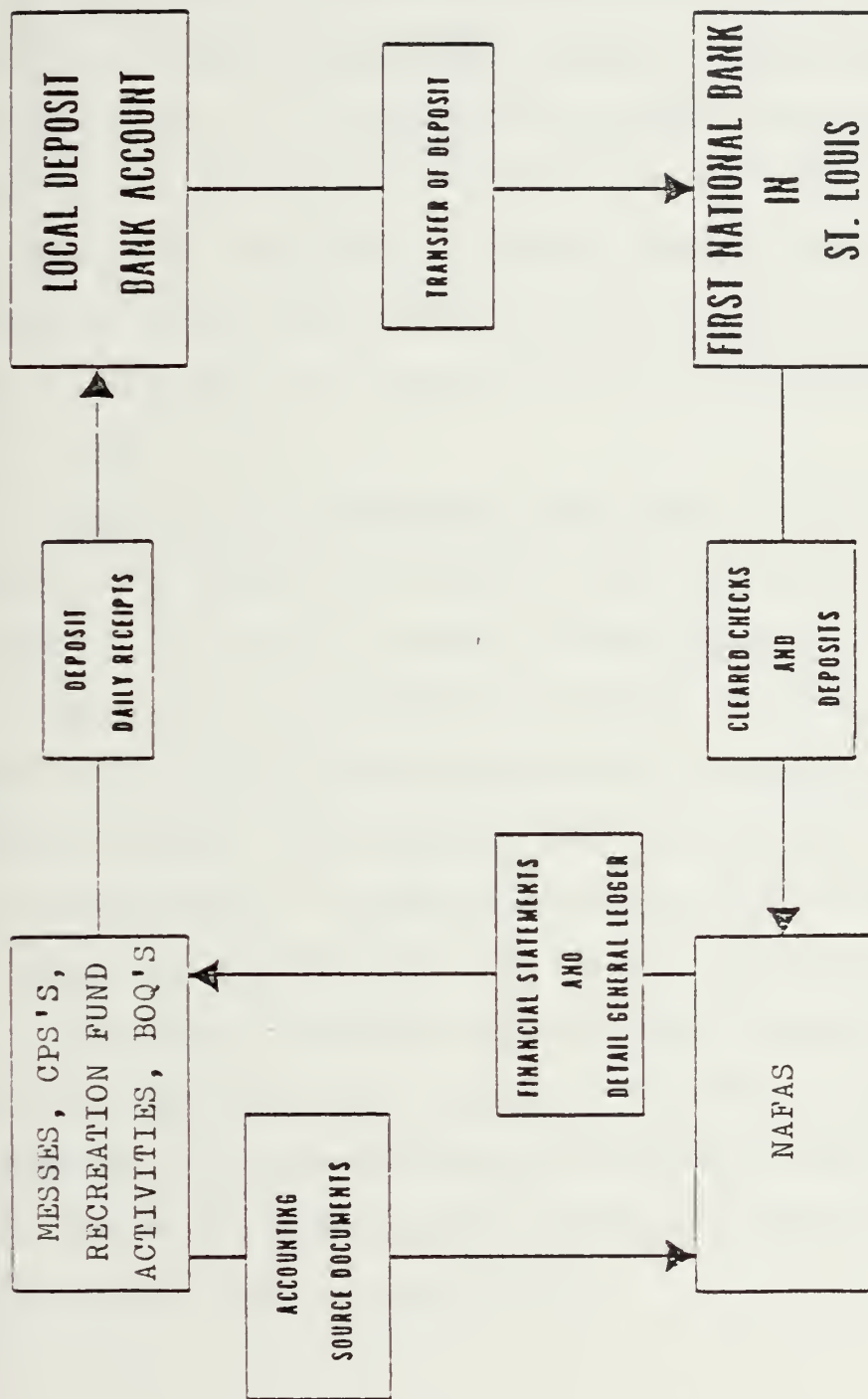
The accounting source documents which are fed into the MCAS and the RCAS are sufficiently different in format to

warrant that they be presented and discussed separately. Resultingly, source documents associated with the MCAS are discussed first, then followed by a similar discussion of those which are used with the RCAS. In reviewing these source documents, three things should be kept in mind. First, the frequency of submission is not the same for each accounting document. Secondly, these documents are summary in nature and are designed to provide aggregate accounting data on all operations within the designated NAFI (e.g., MCAS or RCAS activity) that is responsible for completing them. Thirdly, because they are summary in nature, the requirement to complete these forms exists in addition to the normal record-keeping requirements of field activity accounting such as general journals, subsidiary ledgers, and other accounting records. As a result, the following review of MCAS and RCAS source documents is also designed to provide insights into the additional paperwork requirements which are levied on participating field activities in support of these centralized accounting systems.

For the purposes of clarity and additional reinforcement, Exhibit II-11 schematically reiterates the flow of accounting source documents into NAFAS that was previously described in this chapter. Exhibits II-12 through II-25 are provided in support of the following discussion of MCAS source documents:

1. The Daily Activity Record Summary (DARS) (NAVCOMPT Form 2217) is shown in Exhibit II-12 and is submitted to NAFAS

CENTRAL ACCOUNTING SYSTEM



SOURCE: NAFAS

Exhibit II-11. Central Accounting System

on a daily basis for the purpose of providing a one page summary of the earnings of all operations within the MCAS Activity (e.g., applicable Mess, CPS, or BOQ) from the previous day. Included in this report is the amount of cash which was deposited in the MCAS activities local bank account as a result of the previous day's sales. A duplicate deposit slip (Exhibit II-13) is forwarded to NAFAS with each DARS. Exhibits II-14 and II-15 illustrate how the DARS is prepared from a series of local Daily Activity Records which are collected from various cash collection points within the activity. The DARS is a summary of all the individual Daily Activity Records. [66]

2. The Remittance Statement with Check (BUPERS Form 41) is pictured in Exhibit II-16 and is the form used by MCAS participants to pay all incurred indebtedness with the exception of petty cash and authorized imprest accounts. As shown in Exhibit II-16, this form consists of an original and three detachable copies. The original copy is provided to the vendor to whom payment is being made and contains a detachable check below the dotted line. The second (yellow) copy of the form is forwarded to NAFAS on the day that the check is issued. Remittance statements with checks are issued in strict numerical sequence and each check must be accounted for. As illustrated, checks are drawn against the Mess Central Concentration Bank Account at FNB St. Louis. [67]

ORIGINAL

DAILY ACTIVITY RECORD SUMMARY
NAVCOMPT FORM 2217 (10-71)☐ FINAL

ACTIVITY NAME/LOCATION		SOURCE	ACTIVITY NO.	MONTH	DAY	YEAR	REPORT NO.
CONSOLIDATED PACKAGE STORE NAS PATUXENT RIVER, MD.		20	0000	04	01	8-	221

LINE NO.	SOURCE OF RECEIPTS	ACCT. NO.	DAILY AMOUNT	MONTH TO DATE AMOUNT	DESCRIPTION	DAILY AMOUNT	MONTH TO DATE AMOUNT
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	SALES FOOD - WESS	4110			TOTAL SALES (From Cols. 4 & 5, Line 9)		
2	BAR	4120				1652 50	1652 50
3	PACKAGE STORE 41.60		1652 50	1652 50	TOTAL OTHER RECEIPTS (From Cols. 4 & 5, Line 9)		
4	SUNDRY MERCHANDISE	4140				-0-	-0-
5	CATERING/PRIVATE PARTIES	4150			TOTAL SALES AND OTHER RECEIPTS	1652 50	1652 50
6	OTHER RESALE	4190			LESS MISCELLANEOUS DEBITS		
7	BINGO	4310			ACCTS. REC. CHARGES 1210		
8	SLOT MACHINES	4320			COMPUTED PATIONS 1230		
9	TOTAL SALES (Carry to Col. 7 & 8, Line 2)		1652 50	1652 50	OTHER ACCOUNTS RECEIVABLE 1290	587 15	587 15
10	OTHER RECEIPTS MEMBERS ACCT'S COLLECTED	1210			CASH SHORTAGE 3610	1 00	1 00
11	RETURNED CHECKS-REPAID	1220			CREDIT CARD SALES EXP. 1960	12 85	12 85
12	COMPUTED PATIONS REC'D	1230					
13	OTHER ACCT'S RECEIVABLE	1290					
14	CUSTOMER DEPOSITS	2130			TOTAL MISC. DEBITS	601 00	601 00
15	GRATUITIES - DUE EMPLOYEES	2141			AMOUNT OF DEPOSIT Line 5 Less Line 14 A/C 1113		
16	SERVICE CHARGES - DUE EMPLOYEES	2142				1051 50	1051 50
17	COLL. SURCHARGES)	2151			DEPOSITORY TRANSFER CHECK		
18	COLL. QUARTERS)	2152			DEPOSITORY TRANSFER CHECK NO.		
19	COLL. LINEN CHARGES)	2153			REMARKS:		
20							
21					PREPARED BY	DATE	
22					M. H. Bowles	4-2-8-	
23	TOTAL OTHER RECEIPTS (Carry to Col. 7 & 8, Line 4)		-0-	-0-	APPROVED BY	DATE	
					J. L. Thomas	4-2-8-	

Exhibit II-12. Daily Activity Record Summary (NAVCOMPT Form 2217)

[illegible]

Exhibit II-14. Daily Activity Record Summary Flow Chart

ORIGINAL

DAILY ACTIVITY RECORD SUMMARY
NAVCOMPT FORM 2217 (10-71)

FINAL

ACTIVITY NAME/LOCATION		SOURCE	ACTIVITY NO.	MONTH	DAY	YEAR	REPORT NO.
CONSOLIDATED PACKAGE STORE NAS PATUXENT RIVER, MD.		20	0000	04	01	8-	221
LINE NO	SOURCE OF RECEIPTS	ACCT NO	DAILY AMOUNT	MONTH TO DATE AMOUNT	DESCRIPTION	DAILY AMOUNT	MONTH TO DATE AMOUNT
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	SALES FOOD - CESS	4110			TOTAL SALES		
2	BAR	4120			From Cols. 4 & 5. (Line 9)	1652 50	1652 50
3	PACKAGE STORE 4160		1652 50	1652 50	TOTAL OTHER RECEIPTS		
4	SUNDRY MERCHANDISE	4140			(From Cols. 4 & 5. Line 13)	-0-	-0-
5	CATERING/PRIVATE PARTIES	4150			TOTAL SALES AND OTHER RECEIPTS	1652 50	1652 50
6	OTHER RESALE	4190			LESS MISCELLANEOUS DEBITS		
7	BINGO	4310			ACCTS. REC. CHARGES 1210		
8	SLOT MACHINES	4320			COMPUTED PATIENS 1230		
9	TOTAL SALES (Carry to Col. 7 & 8 Line 2)		1652 50	1652 50	OTHER ACCOUNTS RECEIVABLE 1230	587 15	587 15
10	OTHER RECEIPTS MEMBERS ACCTS COLLECTED	1210			CASH SHORTAGE 9610	1 00	1 00
11	RETURNED CHECKS-REPAID	1220			CREDIT CARD SALES EXP. 1960	12 85	12 85
12	COMPUTED PATIENS REC'D	1230					
13	OTHER ACCTS RECEIVABLE	1290					
14	CUSTOMER DEPOSITS	2130			TOTAL MISC. DEBITS	601 00	601 00
15	GRATUITIES - DUE EMPLOYEES	2141			AMOUNT OF DEPOSIT (Line 5 less Line 14) A/C 1113	1051 50	1051 50
16	SERVICE CHARGES - DUE EMPLOYEES	2142					
17	COLL. (SURCHARGES)	2151			DEPOSITORY TRANSFER CHECK A/C 1111		
18	COLL. (QUARTERS)	2152			DEPOSITORY TRANSFER CHECK NO		
19	COLL. (LINEN CHARGES)	2153			REMARKS:		
20							
21					PREPARED BY	DATE	
22					M. H. Bowles	4-2-8-	
23	TOTAL OTHER RECEIPTS (Carry to Col. 7 & 8 Line 4)		-0-	-0-	APPROVED BY	DATE	
					J. L. Thomas	4-2-8-	

Exhibit II-15. Daily Activity Record (NAVCOMPT Form 2211)

Consolidated Package Store
NAS, Patuxent River,
Maryland 20670

SOURCE	ACTIVITY NO. / DATE	DATE			CHECK NO
		MO	DAY	YR	
10	0000	05	158-		A-074352

LOOSE CORRESPONDENCE TO

| REFERENCE DATE AND CHECK NO.

10/24/17

[illegible]

↓ DEAC = BECBE DEANSING ↓

BUREAU OF NAVAL PERSONNEL
CENTRAL MESS FUND

No. A- 074352

First National Bank
in St. Louis

58-38
514

PAY

〇〇
 〇〇
 〇〇〇〇
 〇〇

2000

DATE	AMOUNT
5/15-2-	\$382.50

二六四四 庚子年四月 日：五 卯時庚申時

Coca-Cola Bottling Company
P. O. Box 1422
Leonardtown, Maryland 20650

J. L. THOMAS

REF ID: A66064

10743230 10514-00361 01 0100 40

SUPERS MCAU COPY

(YELLOW)

NUMERICAL FILE COPY

[GREEN]

ALPHABETICAL FILE COPY

[PINK]

Exhibit II-16. Remittance Statement with Check (BUPERS Form 41)

3. The General Journal Voucher (NAVCOMPT Form 2218) is used to record accounting entries that do not involve the movement of cash and are not practical to make on any other form submitted to the central accounting unit. The form is designed to permit the recording of several accounting entries on a single form. Some of the uses of this form are:

- a. to adjust or correct entries previously recorded. (Once a document has been forwarded it cannot be cancelled.) Reversing or adjusting entries will be made on a general journal voucher;
- b. to record the liability and expense for the employer's share of FICA taxes;
- c. to adjust the property accounts for fixed assets transferred or disposed of;
- d. to record depreciation expenses for fixed assets originally procured with nonappropriated funds;
- e. to record a loss or gain by inventory of fixed assets in conjunction with a physical inventory;
- f. to record the receipt of fixed assets that have not been paid for;
- g. to accrue expenses when it is not desired that such accounting entries be automatically reversed by the central accounting unit. For example, when accruing the monthly BUPERS sales assessment.

Exhibit II-17 illustrates a typical use of the general journal voucher. [68]

4. The Issue/Transfer Summary (NAVCOMPT Form 2220) is used to summarize all interdepartmental issues and requisitions which occur within an MCAS activity. These forms may be prepared as often as necessary, but in any event, they must be prepared and forwarded to NAFAS on at least a weekly basis. Exhibit II-18 illustrates the use of the Issue/Transfer Summary. [69]

GENERAL JOURNAL VOUCHER
NAVCOMPT FORM 2218 (10-71)

ACTIVITY NAME/LOCATION CONSOLIDATED PACKAGE STORE NAS PATUXENT RIVER, MD.	SOURCE 30	ACTIVITY NO 0000	MONTH 04	DAY 30	YEAR 8-	NUMBER 098
---	--------------	---------------------	-------------	-----------	------------	---------------

DEBITS			CREDITS		
LINE NO	ACCOUNT NUMBER	AMOUNT	ACCOUNT NUMBER	AMOUNT	
1	7910	100 00	7920	100	00
2.					
3.					
4.					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
TOTAL		100 00	TOTAL	100	00

EXPLANATION:
 LINE #1 TO CORRECT ENTRY MADE ON REMITTANCE
 STATEMENT WITH CHECK # A-074328 DATED
 APRIL 2, 198- NRA MEMBERSHIP FEE FOR
 THE MESS SHOWN AS CONFERENCE & TRAINING
 (A/C 7920) WHICH SHOULD HAVE BEEN PROPERLY DEBITED
 TO PROFESSIONAL MEMBERSHIPS & FEES (A/C 7910)

PREPARED BY M. H. Bowles APPROVED BY J. L. Thomas

Exhibit II-17. General Journal Voucher (NAVCOMPT Form 2218)

ISSUE/TRANSFER SUMMARY
NAVCOMPT FORM 2220 (REV. 3-72)

☐ FINAL

ACTIVITY NAME/LOCATION		SOURCE	ACTIVITY NO.	MONTH	DAY	YEAR	NUMBER
		50					

LINE NO.	ACCOUNT NAME	ACCOUNT NUMBER	DAILY AMOUNT		MONTH-TO-DATE AMOUNT		
			DEBIT	CREDIT	DEBIT	CREDIT	
1.	CENTRAL STOREROOM - FOOD	1303					
2.	CENTRAL STOREROOM - LIQUOR	1304					
3.	CENTRAL STOREROOM - SUNDRIES	1305					
4.	CENTRAL STOREROOM - SUPPLIES AND REPLACEMENTS	1306					
5.	FOOD INVENTORY - DEPARTMENTAL	1311					
6.	BAR INVENTORY - DEPARTMENTAL	1312					
7.	PACKAGE STORE INVENTORY	1313					
8.	SUNDRY MERCHANDISE	1314					
9.	CATERING/PRIVATE PARTIES	1315					
10.	OTHER RESALE INVENTORY	1319					
11.	BINGO PRIZES	1331					
12.	ISSUE/TRANSFER SUMMARY (NAVCOMPT FORM 2220)						
13.	The issue/transfer summary is used to summarize the requisitions used by an activity and reduce the amount of documentation that must be forwarded to the central accounting unit. It may be prepared as often as deemed necessary at the individual activity but it must be prepared and forwarded to the central accounting unit at least weekly. Debit and credit amount totals from individual requisitions are reported separately on the form, not lumped together into a single amount. After preparation the original of the issue/transfer summary is forwarded to the central accounting unit. The duplicate copy, with supporting bookkeeper copies of requisitions is filed in numerical sequence at the activity.						
14.							
15.							
16.							
17.							
18.							
19.							
20.	REFERENCE: Paragraph 430.5 of NAVSO P-3520						
21.	TOTAL						

PREPARED BY:

DATE:

APPROVED BY:

DATE:

NOTE: DO NOT POST NET AMOUNTS TO ACCOUNTS - POST DEBITS AND CREDITS SEPARATELY.

5-11-72-725-1520

Exhibit II-18. Issue/Transfer Summary (NAVCOMPT Form 2220)

PAYROLL SUMMARY
NAVCOMPT FORM 2216 (REV. 3-72)

PAYROLL PERIOD ENDING
22 APR 198-

COMMISSIONED OFFICERS MESS OPEN NAVAL AIR STATION				ACTIVITY NO.	MONTH	DAY	YEAR	NUMBER
NAVAL AIR STATION, FLA.				15	0000	04	23	8-009

LINE NO.	ACCOUNT	ACCOUNT NO.	AMOUNT
1.	DEBITS		
	FOOD - MESS	6111	
2.	BAR	6121	500 26
3.	PACKAGE STORE	6161	
4.	SUNDRY MERCHANDISE	6141	
5.			
6.	OTHER RESALE	6191	
7.	BINGO	6311	38 75
8.	SLOT MACHINES	6321	
9.	GENERAL AND ADMIN	7100	755 80
10.	SERVICE CHARGES DUE EMPLOYEES	2142	
11.	ACCUMULATED ANNUAL LEAVE	2220	13 12
12.	SKK Leave Exp.	7450	
13.			
4.	TOTAL WAGES		1307 93
5.	LESS "DEDUCTIONS"		
	FEDERAL WITHHOLDING	2310	193 02
6.	STATE "DEDUCTIONS" WITHHOLDING	2320	65 69
7.	SOCIAL SECURITY TAX	2330	71 01
8.	SAVINGS BONDS	2340	
9.			
20.	RETIRE ANNUITY	2350	28 25
21.	GROUP LIFE INS	2370	6 50
22.	GROUP MED INS	2380	5 00
23.	OTHER DEDUCTIONS	2390	
24.			
25.	TOTAL DEDUCTIONS		372 27
26.	NET WAGES		935 66

ACCOUNT	ACCOUNT NO.	AMOUNT
FOOD - MESS	OR 6112	
BAR	OR 6122	
PACKAGE STORE	OR 6162	
SUNDRY MERCHANDISE	OR 6142	
CATERING/PRIVATE PARTIES	OR 6152	
OTHER RESALE	OR 6192	
BINGO	OR 6312	
SLOT MACHINES	OR 6322	
GENERAL AND ADMIN	OR 7410	
FOOD INVENTORY	OR 1311	

PAYROLL CHECK NUMBER	TO
A-001003	A-001008

PREPARED BY	DATE
M. H. Bowler	4-23-8-
G. A. Thomas	4-23-8-

3/N 0108-706-5440

Exhibit II-19. Payroll Summary (NAVCOMPT Form 2216)

5. The Payroll Summary (NAVCOMPT Form 2216) (Exhibit II-19) is used, at the end of each pay period, to summarize the payroll and properly distribute payroll costs and employee deductions to the appropriate accounts. The payroll summary is filled out regardless of whether employees are paid by check through either the centralized bank or an authorized imprest bank account that is locally maintained. Data from this form is not posed to the remittance statement portion of checks used for payroll purposes. [70]

6. The Monthly Ending Inventory Summary (NAVCOMPT Form 2221) is shown in Exhibit II-20 and is used to report the monetary value at cost (First-in, first-out method of costing) of inventories on hand at the end of an accounting month. Departmental ending inventories may be valued using the last invoice price method. [71]

7. The Accrual Journal Voucher (NAVCOMPT Form 2219) (Exhibit II-21) is used to report all goods and services received but not paid for at the end of the accounting month. Such accruals are reported to NAFAS to record expenses and liabilities to the proper accounts in the month in which they become liabilities. Failure to accrue these payables each month will result in a misstatement of expenses and net profit in both the month the goods and services are received and the month they are paid. All entries reported on the accrual journal voucher are automatically reversed at the beginning of the following month by the central accounting unit. [72]

8. Transmittal Envelope (BUPERS Form 40) is used by MCAS activities to forward all accounting source documents to NAFAS. These envelopes play an important role in the orderly processing of accounting source documents when received by NAFAS and therefore warrant specific discussion of their details. As shown in Exhibit II-22, a printed form is located on the back of each envelope, which requires that the submitting activity specify the two digit month (e.g., 01 for January), a two digit sequential envelope number (e.g., 01 means that it is the first envelope of the accounting month), and an assigned four digit activity identification number. The form also requires that MCAS activity bookkeepers summarize the contents of each envelope by identifying the local sequential number of each check or other source documents which are contained inside the envelope. The total dollar amounts of checks, deposits, and debits to other forms must also be indicated. From these various subtotals, an envelope "control" total must be developed to serve as a cross-check of the accuracy of the subtotals. Once this has been done, the MCAS activity bookkeeper is required to sign and date the envelope prior to mailing. If the contents of the envelope constitute the field activity's last source document submission for the accounting month, the box labelled "Final Envelope This Month" should be marked by the bookkeeper to let NAFAS know that all accounting documents for the activity have been submitted for the ending accounting month. [73]

MONTHLY ENDING INVENTORY SUMMARY
NAVCOMPT FORM 2221 (REV. 3-72)

ACTIVITY NAME/LOCATION		SOURCE	ACTIVITY NO.	MONTH	DAY	YEAR	NUMBER
		60					
LINE NO.	ACCOUNT NAME	ACCOUNT NUMBER	AMOUNT				
1.	CENTRAL STOREROOM - FOOD	1303					
2.	CENTRAL STOREROOM - LIQUOR	1304					
3.	CENTRAL STOREROOM - SUNDRIES	1305					
4.	CENTRAL STOREROOM - SUPPLIES AND REPLACEMENTS	1306					
5.	FOOD INVENTORY - DEPARTMENTAL	1311					
6.	BAR INVENTORY - DEPARTMENTAL	1312					
7.	PACKAGE STORE INVENTORY	1313					
8.	SUNDRY MERCHANDISE	1314					
9.	CATERING/PRIVATE PARTIES	1315					
10.	OTHER RESALE INVENTORY	1319					
11.	BINGO PRIZES	1331					
12.							
13.							
14.	MONTHLY ENDING INVENTORY SUMMARY (NAVCOMPT FORM 2221)						
15.	<p><u>Procedure.</u> The ending inventory summary is prepared at the end of each accounting month to summarize inventory records at the activity and adjust the inventory accounts to their proper value. The original monthly ending inventory summary is forwarded to the central accounting unit within three working days after the end of the accounting month. The duplicate copies of the form, with the original copies of the supporting inventory records attached are filed in numerical sequence at the activity. If an activity has no inventory to report a form will be prepared with zero entries.</p>						
16.							
17.							
18.							
19.	REFERENCE: Paragraph 430.7 of NAVSO P-3520						
20.							
21.							
22.							
23.							
24.	TOTAL						5
PREPARED BY		DATE		APPROVED BY		DATE	

JUN 2104-729-3700

Exhibit II-20. Monthly Ending Inventory Summary (NAVCOMPT Form 2221)

ACCURAL JOURNAL VOUCHER
NAVCOMPT FORM 2219 (10-71)

ACTIVITY NAME/LOCATION			SOURCE	ACTIVITY NO.	MONTH	DAY	YEAR	NUMBER
CONSOLIDATED PACKAGE STORE NAS PATUXENT RIVER, MD. 20670			40	0000	04	30	8-	010

DEBITS			CREDITS		
LINE NO.	ACCOUNT NUMBER	AMOUNT	ACCOUNT NUMBER	AMOUNT	
1.	1304	4226 64	2111	4531	50
2.	1360	382 50	8220	77	64
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20.					
21.					
22.	TOTAL \$	4609 14	TOTAL \$	4609	14

PREPARED BY: <i>Mary Helen Bowler</i>	APPROVED BY: <i>J. R. Thomas</i>
--	-------------------------------------

Exhibit II-21. Accrual Journal Voucher (NAVCOMPT Form 2219)

DEPARTMENT OF THE NAVY

POSTAGE AND FEES PAID
DEPARTMENT OF THE NAVY
000-218



OFFICIAL BUSINESS

FIRST CLASS

BUREAU OF NAVAL PERSONNEL
NONAPPROPRIATED FUND ACCOUNTING SYSTEMS (NAFAS)
MESS CENTRAL ACCOUNTING SYSTEM (MCAS)
BUILDING 1429 — CODE 01
PATUXENT RIVER, MD 20670

BUPERS/40 (9-79)

SOURCE		ACCTG NO	ENV NO	SOURCE	ACTIVITY
		0	1	0	1
		9	9	4	3
				2	1
13	CHECK NOS. 1234567			TOTAL NET	\$ 400 00
15	PAYROLL SUMMARY NO.				
23	DAILY ACTIVITY RECORD SUMMARY NOS. 058			TOTAL DEBIT(S)	\$ 350 00
30	GENERAL JOURNAL VOUCHER NOS.			TOTAL DEBITS	\$
40	ACCURAL JOURNAL VOUCHER NOS.			TOTAL DEBITS	\$
50	SUBV. TRANSFER SUMMARY NOS. 086,087			TOTAL DEBITS	\$ 400 00
60	MONTHLY ENDING INVENTORY SUMMARY NO.				
				ENVELOPE CONTROL TOTAL OF ABOVE	\$ 1150 00

MCAS USE ONLY

Audit _____

Control _____

Key Punch _____

Key Verify _____

☐ FINAL ENVELOPE THIS MONTH

I CERTIFY THAT ALL SOURCE DOCUMENTS FOR THIS PERIOD HAVE BEEN SUBMITTED. PLEASE PROCESS FINANCIAL STATEMENTS.

BOOKKEEPER _____ DATE _____

(BROWN)

Exhibit II-22. MCAS Transmittal Envelope (BUPERS Form 40)

Exhibits II-26 through II-35 display the accounting source documents which are used by Recreation Fund Activities in support of the RCAS. Although RCAS participants do not use the same accounting forms that MCAS activities use, the purpose of these forms is, in many instances, nearly identical with previously discussed MCAS source documents. These similarities are emphasized in the following:

1. The Daily Cash Report (CDR) (NAVCOMPT Form 2142) is essentially the RCAS equivalent of the MCAS Daily Activity Record Summary (DARS). Shown in Exhibit II-23, the DCR is a one page recap of all earnings which occur each day within a Recreation Fund Activity, including the amount of cash which was collected from each local recreation activity and deposited into the Recreation Fund Activity's local bank account. Like the DARS, the DCR is prepared from a series of Daily Activity Records which are received from various cash collection points, as previously illustrated in Exhibits II-14 and II-15. Duplicate bank deposit slips must also be forwarded with each Daily Cash Report that is submitted to NAFAS. [74]

2. Pictured in Exhibit II-24, the Remittance Statement with Check (BUPERS Form 4) serves exactly the same purpose as the BUPERS Form 41 (previously illustrated in Exhibit II-16), except that the check portion is written against the Recreation Central Concentration Bank account at FBN St. Louis rather than the Mess Central Concentration Bank Account. Like

RECREATION NAME ADDRESS

REMITTANCE STATEMENT WITH CHECK

SOURCE	ACTIVITY NUMBER	CHECK NO.
21		

ADDRESS CORRESPONDENCE TO

REFERENCING DATE AND CHECK NO

DATE OF INVOICE	INVOICE NUMBER	ACCOUNT	DEPT	GROSS	DISCOUNT	NET	RETAIL VALUE
				\$	\$	\$	\$
TOTALS ▶				\$	\$	\$	\$

DETACH BEFORE DEPOSITING

VOID IF NOT CASHED
WITHIN SIX MONTHS

NAVAL MILITARY PERSONNEL COMMAND No. 0066495
CENTRAL RECREATION FUND

First National Bank
in St. Louis

3-5
310

ACTIVITY NUMBER	DATE	AMOUNT

PAY
TO
THE
ORDER
OF

AUTHORIZED SIGNATURE

⑈0066495⑈ ⑆08⑆000058⑆ 00 0862 7⑈

Exhibit II-24. Remittance Statement with Check (BUPERS Form 4)

MCAS activities, RCAS participants are required to pay for all incurred indebtedness using these prenumbered checks, with the exception of petty cash and authorized imprest accounts. Checks are issued in strict numerical sequence and each must be strictly accounted for. [75]

3. The General Journal Voucher (NAVCOMPT Form 2143) (Exhibit II-25) is the RCAS equivalent of the NAVCOMPT Form 2218 which is completed by MCAS activities. As such, it is used to record accounting entries that do not involve the movement of cash and are not practical to make on any other form submitted to NAFAS. The General Journal Voucher is designed to permit the recording of several accounting entries on a single form. Typical accounting entries associated with this form are identical to those previously cited in the narrative discussion on NAVCOMPT Form 2218 and Exhibit II-17. [76]

4. The Payroll Summary (NAVCOMPT Form 2141) (Exhibit II-26) is used at the end of each pay period, to summarize the payroll and properly distribute payroll costs and employee deductions to the appropriate account. It serves the same purpose for RCAS activities that NAVCOMPT Form 2216 (Exhibit II-19) serves for MCAS activities. [77]

5. The Departmental Summary Record (NAVCOMPT Form 2146) is shown in Exhibit II-27 and is used to summarize at the end of the month the retail price changes of resale merchandise. It is also used to report the retail value of

GENERAL JOURNAL VOUCHER
To be used with Navy Recreation Fund Centralized Accounting
NAVCOMP FORM 2143 (3-54) S/N 0104-LF-704-2300

NAVCOMPT FORM 2143 (9-64) S/N 0104 LF-70-2300

CAP. ANA. CU.

90

DEPARTMENTAL SUMMARY RECORD
(AFFECTED BY SOURCES 8, 13 & 17)
NAVCOMPT FORM 2146 (8-64)

ACTIVITY				ACTIVITY NO.			
(NAME OF ACTIVITY)				000-000			
SUMMARY							
ACCOUNTING MONTH	MONTH	YEAR	NUMBER				
JUNE	06	65	8				
DEPT.	SOURCE 13	SOURCE 17	PHYSICAL INVENTORY				
	NET MARKUPS	NET MARKDOWNS	RETAIL				
	RETAIL	RETAIL					
A-1	10.50		6,586.54				
A-2		15.75	1,280.90				
B-1		13.00	11,633.31				
B-2			1,600.25				
B-3			1,064.47				
B-4			825.30				
B-5	9.00		3,424.72				
B-6			498.90				
B-7			2,982.15				
B-8			3,190.47				
B-9		20.50	260.40				
MARKUPS AND MARKDOWNS TO BE REPORTED MONTHLY							
			DEPARTMENTAL TOTALS AND TOTAL SELLING VALUE OF 15 JUNE AND 15 DECEMBER PHYSICAL INVENTORY TO BE REPORTED				
AUTHORIZED SIGNATURE							
TOTAL RETAIL	19.50	49.25	33,347.42				
SIGNATURE	J. L. L. M. J.		DATE 6/16/65				

Exhibit II-27. Departmental Summary (NAVCOMPT Form 2146)

resale merchandise on hand as verified by a semi-annual physical inventory. This accounting document is summary in nature due to the fact that all retail price changes must be locally documented on NAVCOMPT Form 2145 (Exhibit II-28). Merchandise for only one department may be listed on each form and only either markups or markdowns may be entered on each form. After initial preparation and approval of the price change, the original of the form is forwarded to the appropriate sales location, where the quantity on hand is entered, and the description, present price and other data on the form are verified. As prices are changed, the employee actually making the change initials the form and returns it to the bookkeeper for verification of extensions and totals. As originals are returned to the office, the duplicates are destroyed. Forms are issued in strict numerical sequence and all forms accounted for. At the end of each month these forms are summarized on a Departmental Summary Record (NAVCOMPT Form 2146). [78]

6. The Accrual Journal Voucher (NAVCOMPT Form 2144) (Exhibit II-29) is the RCAS counterpart of the BUPERS Form 2219 (Exhibit II-21) which must be completed by MCAS activities. As such, it is used to report all goods and services received but not paid for at the end of the accounting month. Such accruals are reported to NAFAS to record expenses and liabilities to the proper accounts in the month in which they become liabilities. Failure to accrue these

No. 149[illegible]

Exhibit II-28. Retail Price Change (NAVCOMPT Form 2145)

ACCURAL JOURNAL VOUCHER
NAVCOMPT FORM 2144 (REV. 11-77)

1. Use ONLY for accruals affecting accounts 211-00 and 221-00.
2. No reversal journal voucher is necessary.
3. Automatic reversal will be made by SUPERS NAFAS next month.

ACTIVITY		SOURCE 55	ACTIVITY NO.	JOURNAL VOUCHER MONTH _____ YEAR _____	
NOTE: WHEN DISTRIBUTION IS A CREDIT CIRCLE BOTH THE DISTRIBUTION AND THE CREDIT					
LINE NO.	ACCOUNT	DEPARTMENT	DISTRIBUTION DEBIT		CREDIT
			COST	RETAIL	AMOUNT
					ACCOUNT 211-00
					ACCOUNT 221-00
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
TOTAL					
PREPARED BY _____		DATE _____		APPROVED BY _____	

Exhibit II-29. Accrual Journal Voucher (NAVCOMPT Form 2144)

payables each month will result in a misstatement of expense and net profit in both the month the goods and services are received and the month they are paid. All entries reported on the accrual journal voucher are automatically reversed at the beginning of the following month by NAFAS. [79]

7. The Purchase Order Form (NAVCOMPT Form 2147) (Exhibit II-30) is unique to Recreation Fund Activities and must be prepared for the purchase of resale items within each recreation resale department (e.g., golf pro shop). At the end of each month the total amount of all outstanding purchase orders is submitted by letter report to NAFAS in the final transmittal envelope for the month. Purchase orders must be serially prenumbered and each accounted for. [80]

8. The Transmittal Envelope (BUPERS Form 1700) is illustrated in Exhibit II-31 and is used by RCAS activities to forward all accounting source documents to NAFAS. Envelopes are numbered sequentially throughout the accounting month beginning with 01 for the first submission of the month. The final transmittal envelope for an accounting month must be marked "final" and mailed not later than the third working day following the close of the accounting month. Envelopes may only contain accounting documents for a single accounting month. For example, if an activity is prepared to send its second data transmittal for March and the monthly ending inventory summary and the accrual journal voucher for February, two transmittal envelopes would be prepared. One would be

DEPARTMENT OF THE NAVY

POSTAGE AND FEE PAID
DEPARTMENT OF THE NAVY
000000



RETURN TO: BUREAU OF NAVAL PERSONNEL
NAFAS/RCAS
OFFICIAL BUSINESS

FIRST CLASS

BUREAU OF NAVAL PERSONNEL/NAVAL MILITARY PERSONNEL COMMAND
NONAPPROPRIATED FUND ACCOUNTING SYSTEMS (NAFAS)
RECREATION CENTRAL ACCOUNTING SYSTEM (RCAS).
BUILDING 1489
PATUXENT RIVER, MD. 20670

BUFORM 1700 (3-85)

RCAS USE ONLY
Audit _____
Control _____
Key _____
Key _____

LINE	SOURCE	ACCT. NO.	SW. NO.	SICL	ACTIVITY	TOTAL DEPOSITS	TOTAL DEBITS	TOTAL NET	ENV. CONTROL TOTAL COLUMN A	ENV. CONTROL TOTAL COLUMN B
19	24 OCT NO. 3									
20	25 CHECK NO. 3				THRU					
21	26 TPE CHECK NO. 3				THRU					
22	27 PAYROLL SUMMARY NO.									
23	28 GENERAL JOURNAL VOUCHER NO. 3									
24	29 ACCRUAL JOURNAL VOUCHER NO. 3									
25	30 MARKDOWN OER #									
26	31 MARKDOWN OER #									
27	32 PHYSICAL INVENTORY OER #									
						ENV. CONTROL TOTAL COLUMN A		ENV. CONTROL TOTAL COLUMN B		

Exhibit II-31. RCAS Transmittal Envelope (BUPERS Form 1700)

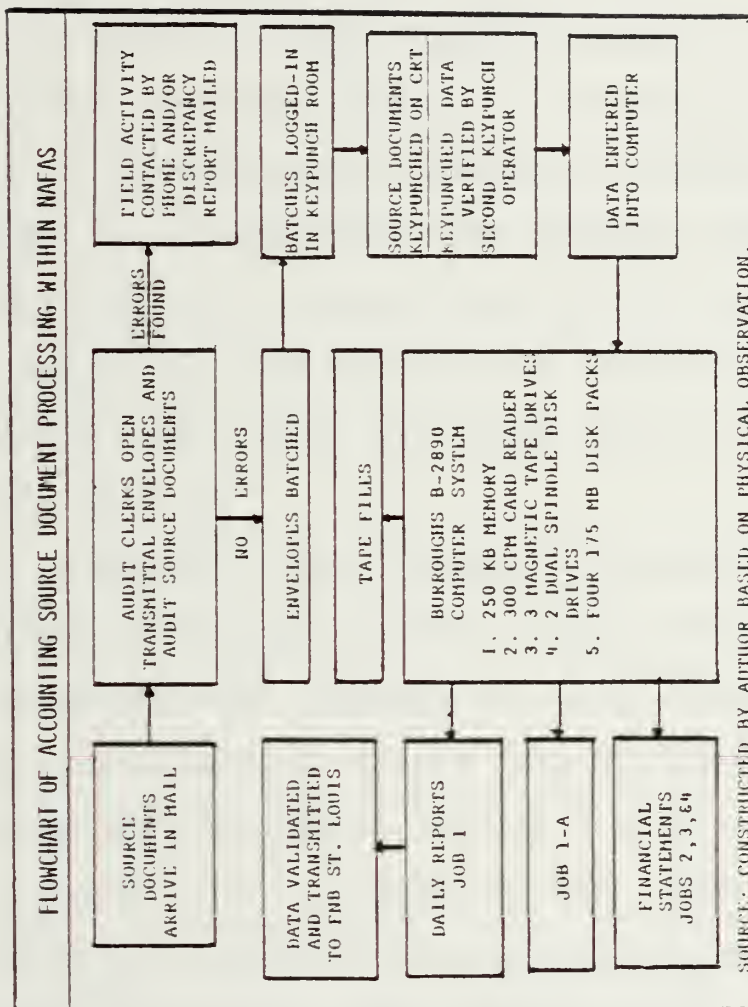


Exhibit II-32. Flowchart of Accounting Source Document Processing within NAFAS

contacted by either phone or mail. If contacted by mail, pro forma discrepancy notices such as that illustrated in Exhibit II-33 are used by NAFAS to convey the nature of the problem to the submitting field activity and corrective action, if any, which was taken by NAFAS to reconcile the source document submission. [82]

When the accounting source documents within a transmittal envelope have been declared "Valid" by a PSU audit clerk, the reverse side of the transmittal envelope is initialed by that individual in the applicable box labelled "MCAS Use Only" or "RCAS Use Only." After four or five valid envelopes have been accumulated, they are batched together and forwarded to the key-entry room, which is located adjacent to the NAFAS computer room. [83]

As shown in Exhibit II-32, batched deliveries of transmittal envelopes are logged by batch number upon their arrival within the keypunch room. Batches are then distributed by the key entry supervisor to various keypunch operators, who then transcribe the information contained within each accounting source document onto a cathode ray tube (CRT) display terminal. When the contents of accounting source documents have been transcribed onto a CRT terminal by the assigned keypunch operator, a second keypunch operator verifies the accuracy of the first operator's key entries. Assuming that the key entries have been performed correctly, the accounting source data are then transmitted into the NAFAS computer,

BUREAU OF NAVAL PERSONNEL
NONAPPROPRIATED FUND ACCOUNTING SYSTEMS
BUILDING 1489 • CODE 01
PATUXENT RIVER, MD. 20670

NO:	Activity No.	NAFAS Use
	Transactional Env. No.	Accounting No.

Subj: Mess Central Accounting System Source Document Discrepancy Notice

Ref: (a) NAVSO P-3520, Article 430.6

1. PAYROLL SUMMARY number _____ dated _____ for the payroll period ending _____ was not properly completed. Reference (a) sets forth the proper document preparation procedures.

a. ☐ Payroll Summary does not balance. In order to process this document, NAFAS has:

- (1) ☐ Changed the entry to account number _____ from \$ _____ to \$ _____.
- (2) ☐ Deleted the entry to account number _____ of \$ _____.
- (3) ☐ Changed the total from \$ _____ to \$ _____.

b. ☐ Incorrect assignment of account number as follows:

- (1) ☐ A _____ of \$ _____ without an account number.
- (2) ☐ A _____ of \$ _____ to account number _____, a non-existent account.
- (3) ☐ A _____ of \$ _____ to account number _____, a restricted account.

In order to process this document, NAFAS has recorded the above amount to account number _____.

Prepared by: _____	Approved by: _____	Date: _____
--------------------	--------------------	-------------

Exhibit II-33. Mess Central Accounting System Source Document Discrepancy Notice

which is programmed to perform MCAS, RCAS, and other operations. The reverse side of MCAS and RCAS transmittal envelopes must also be initialed by both the keypunch operator and keypunch verifier. [84]

A detailed discussion of the various computer routines and control reports associated with the operation of the NAFAS computer system is beyond the scope of this study. However, the following features deserve mentioning:

1. Updated accounting data for each RCAS and MCAS activity are physically stored in the computer's main memory on a perpetual basis.

2. As shown in Exhibit II-32, all daily accounting transactions are recorded on magnetic tape as a back up to a possible computer failure or in the event of damage or fire to the computer's central processing unit.

3. The input of daily transactions into the computer is monitored by the computer itself, which is programmed to detect accounting errors not previously identified by either the audit clerks or keypunch operators. During the course of processing transactions, the computer is programmed to prepare and print a series of control reports at the end of each computer run, which are collectively referred to as a "JOB-1". The importance of JOB-1 reports cannot be overstated since, among many other things, they are used by NAFAS personnel to validate the cash totals within the computer that ultimately serve as the basis for initiating the transfer of cash from the local depository accounts of MCAS and RCAS activities to the concentration bank accounts at FNB St. Louis.

4. JOB-1 computer runs are scheduled twice daily in preparation for bi-daily data transfers between NAFAS and a computer located at FNB St. Louis. Data transfers are accomplished through the use of magnetic tape recordings which are transmitted via teleprocessing at 7:30 a.m. and 12:30 p.m. Eastern Standard Time. The transmission of accurate electronic data to FNS St. Louis is extremely critical since it automatically triggers the computerized preparation of Depository Transfer Checks (DTCs) by the central bank. Invalid data may result in the automatic initiation on invalid cash transfers from the local depository bank accounts to MCAS and RCAS activities to FNB St. Louis. When this occurs, invalid cash transfers cannot be reversed by the central bank, resulting in local bank overdrafts. NAFAS must then handwrite reimbursement checks to the local banks that were affected by the erroneous transfer.

5. In addition to cash controls, JOB-1 computer reports serve the administrative needs of the Production Systems Unit. Among other reports, the computer is programmed to produce error listings, a list of valid envelopes which were accepted during each computer run, and a running list of all accounting envelopes which have been received from each field activity during the accounting month. Examples of these reports are contained in Appendix E.

6. In addition to the JOB-1 Exhibit II-32 also depicts a JOB-1-A. The purpose of the JOB-1-A is to centrally collect or distribute loans, grants, and NEX profits between the NMPC Central Fund and participating field activities.

7. As illustrated in Exhibit II-32, computer routines labelled "JOB-2", "JOB-3", and "JOB-4" are used to prepare a series of comprehensive monthly financial statements on behalf of each MCAS and RCAS field activity. Having ascertained that all accounting source documents for a particular field activity have been submitted and processed for the recently ended accounting month, that activity is "selected for closing" through a preparation and submission of a Mess or Recreation Select Form by the Systems Control/Data Entry supervisor within the PSU. Since it is common for several activities to be selected for closing on the same day, the Select Form allows for the concurrent listing of several activities in ascending numeric order according to their activity numbers. As a safeguard against the premature or erroneous selection of activities which are not actually ready for closing, a computer routine labelled "JOB-2" is used to detect and reject those activities which, according to stored data, do not meet closing criteria. Exhibit II-34 is a typical JOB-2 computer listing of activities which have been selected for closing by the computer. As indicated in this example, all activities were selected for closing by the computer. Had one of them been rejected, this would have been stated in the print-out and would have prompted an investigation by PSU personnel to determine the cause for rejection. [85]

The preparation and forwarding of monthly financial statements by NAFAS is one of the primary benefits' (if not the foremost benefit) which MCAS and RCAS field activities receive in return for the additional accounting paperwork which they must prepare in support of the central accounting and banking system. Participation in the MCAS or the RCAS

ACTIVITIES SELECTED FOR CLOSING
 JUN 11/13/80
 ENVELOPE CONTROL

ACTIVITY	TOTAL	
0341	1,432,058.93	.00
0603	362,522.50	.00
0611	552,439.24	.00
1312	32,034.55	.00
1326	52,685.08	.00
1357	790,050.67	.00
1352	539,088.95	.00
2000	117,213.35	.00
3323	248,353.12	.00
3337	330,825.18	.00
3340	204,296.53	.00
4300	447,345.96	.00
5808	2,371.84	.00

Exhibit II-34. JOB-2 Computer Listing Depicting Activities Selected for Closing

theoretically eliminates the requirement for each field activity to tabulate and prepare its own monthly financial statements. Furthermore, the financial statements which are prepared by NAFAS are, in all likelihood, much more sophisticated and informative than the financial statements that the various field activities would either be capable of or inclined to prepare on their own.

NAFAS computer routines labelled "JOB-3" and "JOB-4" are programmed to calculate and print the following financial reports:

1. Detail General Ledger. (JOB-3)
2. Balance Sheet. (JOB-4)
3. Operations Summary (Income) Statement for the MCAS or RCAS activity as a whole. (JOB-4)
4. Departmental Operating Statements for each major department within the parent MCAS or RCAS activity. (JOB-4)
5. Fund Status Report (RCAS Activities only) (JOB-4) [86]

Copies of these statements are forwarded not only to field activity managers, but also to their Commanding Officers, Immediate Superiors in Command, the applicable Major Claimant (e.g., CINCPACFLT, CINCLANTFLT), and the Field Support section of the Financial Management Branch within NMPC-65. NAFAS also retains a complete set of each of these financial statements for a period of five years. [87]

Exhibits II-35 through II-48 illustrate the types of financial statements and management information which are made available to field activity managers as a result of

their participation in the MCAS and RCAS. Exhibit II-35 offers an abbreviated version of a Detail General Ledger for an MCAS activity, but is also representative of the general formatting of the Detail General Ledgers which are provided to RCAS activities. The purpose of the Detail General Ledger is to recapitulate, in detail and summary form, all accounting transactions which affected the accounts of a participating field activity during the preceding accounting month. Accordingly, it summarizes not only the accounting transactions which were submitted by the field activity itself, but also those originated by the Central Fund Accounting Unit, such as sales assessments, profit distributions, loans, grants, and loan repayments. Unlike the other financial reports which are furnished by NAFAS, the Detailed General Ledger is actually an accounting record rather than a financial statement of the operating performance of the field activity. [88]

Exhibits II-36 and II-37 are verbatim reproductions of actual balance sheets which were provided by NAFAS to an MCAS activity (Commissioned Officer's Mess (Open)) and a RCAS activity. In accordance with traditional balance sheet formatting, these statements show the end of the month balances in the activities 1000 (asset) accounts, 2000 (liability) accounts, and 3000 (net worth) accounts and are based on the classic financial accounting equation, wherein the total amount of all assets must equal the combined totals of all

DETAIL GENERAL LEDGER				CURE HAS - FAIRBANKS RIVER		PAGE 1	APR 30, 1972	Detail General Ledger (HUPERS Form 49); All accounting entries submitted by the Meas or originated by the Bureau of Naval Person- nel Meas Central Accounting Unit are recorded on this ledger in detail or summary form by account number and source.	
SOURCE FEES						ACTIVITY 0000			
05	GENERAL JOURNAL VOUCHER	45	DEPRECIATION	40	ALLOUAD JOURNAL VOUCHER				
10	REMITTANCE STATEMENT	45	REVERSAL OF ACCRUAL	50	1500/TRADE-ER SUPPLY				
15	PAYROLL SUPPLY	60	MONTHLY INTRNG. INVENTORY	65	COST OF GOODS SOLD				
20	DAILY ACTIVITY RECORD SUPPLY	65	TRUCKS	ENV 80	DESCRIPTION				
30	GENERAL JOURNAL VOUCHER	NO	SRLC MO DA NO	1111	CIRCULATION BANK ACCOUNT				
40	ACT	1111	10 04 30 A000211	1111	20 04 30 001				
50	GENERAL JOURNAL VOUCHER	1111	20 04 30 001	1111					
60	GENERAL JOURNAL VOUCHER	1113	20 04 30 001	1113	DEPOSIT BANK ACCOUNT TOTAL				
70	GENERAL JOURNAL VOUCHER	1311	10 04 30 A000211	1311	FOOD-PRESS/FOOD INVENTORY				
80	GENERAL JOURNAL VOUCHER	1311	60 04 30	1311	65 04 30				
90	GENERAL JOURNAL VOUCHER	1311	65 04 30	1311					
100	GENERAL JOURNAL VOUCHER	3210	RETAIRED EARNING (NLT MONTH)	3210					
110	GENERAL JOURNAL VOUCHER	4110	FOOD-PRESS INCOME	4110	20 04 30 001				
120	GENERAL JOURNAL VOUCHER	5110	FOOD-PRESS COST OF GOODS	5100	65 04 30 001				
130	GENERAL JOURNAL VOUCHER	5100		5100					
140	GENERAL JOURNAL VOUCHER								
150	GENERAL JOURNAL VOUCHER								
160	GENERAL JOURNAL VOUCHER								
170	GENERAL JOURNAL VOUCHER								
180	GENERAL JOURNAL VOUCHER								
190	GENERAL JOURNAL VOUCHER								
200	GENERAL JOURNAL VOUCHER								
210	GENERAL JOURNAL VOUCHER								
220	GENERAL JOURNAL VOUCHER								
230	GENERAL JOURNAL VOUCHER								
240	GENERAL JOURNAL VOUCHER								
250	GENERAL JOURNAL VOUCHER								
260	GENERAL JOURNAL VOUCHER								
270	GENERAL JOURNAL VOUCHER								
280	GENERAL JOURNAL VOUCHER								
290	GENERAL JOURNAL VOUCHER								
300	GENERAL JOURNAL VOUCHER								
310	GENERAL JOURNAL VOUCHER								
320	GENERAL JOURNAL VOUCHER								
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340	GENERAL JOURNAL VOUCHER								
350	GENERAL JOURNAL VOUCHER								
360	GENERAL JOURNAL VOUCHER								
370	GENERAL JOURNAL VOUCHER								
380	GENERAL JOURNAL VOUCHER								
390	GENERAL JOURNAL VOUCHER								
400	GENERAL JOURNAL VOUCHER								
410	GENERAL JOURNAL VOUCHER								
420	GENERAL JOURNAL VOUCHER								
430	GENERAL JOURNAL VOUCHER								
440	GENERAL JOURNAL VOUCHER								
450	GENERAL JOURNAL VOUCHER								
460	GENERAL JOURNAL VOUCHER								
470	GENERAL JOURNAL VOUCHER								
480	GENERAL JOURNAL VOUCHER								
490	GENERAL JOURNAL VOUCHER								
500	GENERAL JOURNAL VOUCHER								
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580	GENERAL JOURNAL VOUCHER								
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600	GENERAL JOURNAL VOUCHER								
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620	GENERAL JOURNAL VOUCHER								
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670	GENERAL JOURNAL VOUCHER								
680	GENERAL JOURNAL VOUCHER								
690	GENERAL JOURNAL VOUCHER								
700	GENERAL JOURNAL VOUCHER								
710	GENERAL JOURNAL VOUCHER								
720	GENERAL JOURNAL VOUCHER								
730	GENERAL JOURNAL VOUCHER								
740	GENERAL JOURNAL VOUCHER								
750	GENERAL JOURNAL VOUCHER								
760	GENERAL JOURNAL VOUCHER								
770	GENERAL JOURNAL VOUCHER								
780	GENERAL JOURNAL VOUCHER								
790	GENERAL JOURNAL VOUCHER								
800	GENERAL JOURNAL VOUCHER								
810	GENERAL JOURNAL VOUCHER								
820	GENERAL JOURNAL VOUCHER								
830	GENERAL JOURNAL VOUCHER								
840	GENERAL JOURNAL VOUCHER								
850	GENERAL JOURNAL VOUCHER								
860	GENERAL JOURNAL VOUCHER								
870	GENERAL JOURNAL VOUCHER								
880	GENERAL JOURNAL VOUCHER								
890	GENERAL JOURNAL VOUCHER								
900	GENERAL JOURNAL VOUCHER								
910	GENERAL JOURNAL VOUCHER								
920	GENERAL JOURNAL VOUCHER								
930	GENERAL JOURNAL VOUCHER								
940	GENERAL JOURNAL VOUCHER								
950	GENERAL JOURNAL VOUCHER								
960	GENERAL JOURNAL VOUCHER								
970	GENERAL JOURNAL VOUCHER								
980	GENERAL JOURNAL VOUCHER								
990	GENERAL JOURNAL VOUCHER								
1000	GENERAL JOURNAL VOUCHER								

Exhibit II-35. Sample Detail General Ledger for MCAS Activity

112000 RECREATION FUND HUNTERCREEK CA	NAVAL POST GRAD SCHOOL	BALANCE SHEET AS OF JANUARY 31, 1981	
111-01 CONCENTRATION ACCOUNT	30,241.53	-----CURRENT LIABILITIES-----	
111-02 DEPOSIT BANK ACCOUNT-LOCAL		ACCOUNTS PAYABLE	2,397.00
114-03 IMP BANK ACCOUNT-PAYROLL		ACCRUED INTEREST	261.75
114-04 IMP BANK ACCOUNT-CUR- CURRENCY		CUSTOMER DEPOSITS	438.33
117-01 EMP BANK ACCOUNT-HIND		ASSESSMENTS PAY-SLOT MACHINES	9,408.82
117-02 EMP BANK ACCOUNT-CHARGE FUND	225.00	OTHER ACCOUNTS PAYABLE	7,132.49
118-01 EMPLOYEE CHANGE FUND	100.00	ACCURSED SALARIES & WAGES PAY	8,581.61
118-02 RETIRED CASH ON DEPOSIT/USN		ACCURSED ANNUITY	791.90
119-01 CASH ON DEPOSIT/USN- OFFICER		STAFF/TECHN/HHMLOG TAXES PAY	12.70
119-02 DEPOSIT ON CONTAINERS	31,066.55	SOCIAL SECURITY TAXES PAYABLE	16.75
-----TOTAL CASH-----		PAYROLL SECURITY-SAV BONUS PAY	50.75
-----ACCOUNTS RECEIVABLE-----		RETIREMENT ANNUITY	161.00
121-00 ACCOUNTS RECEIVABLE-GENERAL	195.54	GROUP LIFE INSURANCE	201.00
122-00 ACCOUNTS REC.-RETURNED CHECKS	173.15	GROUP COMPREHENSIVE MEDICAL	
124-00 LOANS RECEIVABLE-CURRENT		OTHER EMP BENEFITS & TAXES PAY	
125-00 CONTRA ACCOUNT		-----TOTAL CURR LIABILITIES-----	7,694.89
129-00 OTHER RECEIVABLES		-----OTHER LIABILITIES-----	
-----TOTAL ACCOUNTS RECEIVABLE-----	22,319-	SHORT-TERM LOANS PAYABLE	
130-X TOTAL RECEIVABLES (AT COST)-----		LONG-TERM RECEIVABLES	39,600.00
141-00 TOTAL SHORT-TERM INVESTMENTS-----	11,279.11	LONG-TERM BONUS PAYABLE	
-----PREPAID EXPENSES-----		LONG-TERM BONUS PAYABLE	
150-01 PREPAID SUPPLIES		UNRECORDED LONG-TERM PAYABLES	
150-02 PREPAID TAXES		OTHER UNRECORDED INCOME	
150-03 PREPAID MAINTENANCE CONTRACTS		-----TOTAL OTHER LIABILITIES-----	39,600.00
150-04 PREPAID TICKETS	685.00	-----RESTRICTED NET WORTH-----	
150-05 OTHER PREPAID EXPENSES		FUNDED RESERVES	13,500.00
159-00 SUSPENSE		OTHER RESTRICTED NET WORTH	
-----TOTAL PREPAID EXPENSES-----	685.00	-----TOTAL RESTRICTED NET WORTH-----	13,500.00
-----FIXED ASSETS AND ACCUM- OLPH-----		-----UNRESTRICTED NET WORTH-----	
160-01 FURNITURE, FIXTURES AND EQUIP	110,806.27	RETAINED EARNINGS	66,286.74
160-02 VEHICLES	10,788.00	CAPITAL IMP GRANTS FROM 4UPERS	30,511.90
160-03 BUILDINGS AND FACILITIES		FUND TRANSFERRED OUT	96,818.64
160-04 BLOG & FACILITY IMPROVEMENTS	33,244.83	-----TOTAL UNRESTRICTED NET WORTH-----	142,223.75
160-05 BLOG & FACILITY IMPROVEMENTS	47,776.00	-----TOTAL LIAB. AND NET WORTH-----	
170-01 ACCUM DEPR-F & E	2,133.60		
170-02 ACCUM DEPR-VEHICLES	49,208.81		
170-03 ACCUM DEPR-BLOGS & FAC	99,215.50		
170-04 ACCUM DEPR-BLOG & FAC IMP			
-----TOTAL LONG-TERM RECEIVABLES-----			
187-00 TOTAL LONG-TERM RECEIVABLES	142,223.75	***TOTAL ASSETS***	

Exhibit II-37. RCAS Balance Sheet

liabilities and net worth accounts. However, as evidenced in Exhibit II-36, additional Fund Solvency Information is included in the traditional balance sheet presentations which are provided to MCAS activities. The fund solvency portion of the MCAS balance sheet provides a computer analysis of the current solvency and forecasted longterm solvency of the activity, both with and without the use of BUPERS loans. It also provides the computed end-of-the-month acid test ratio (ratio of cash and accounts receivable to correct liabilities) for the activity and compares it with the "target" acid test ratio which has been established for the activity by NMPC-65.

[89]

Examples of the Summary Operations Statements which NAFAS provides to MCAS and RCAS activities are contained in Exhibits II-38 through II-41. Taken together, Exhibits II-38 and II-39 constitute the Summary Operations Statement for an MCAS activity. The basic purpose of this statement is to summarize the aggregate revenues and expenses of all departments within the activity, including general and administrative expenses, to arrive at a net operating profit or loss for the accounting period. [90] Cost of goods sold, gross margin, direct expenses, and general and administrative expenses are expressed as a percentage of total (sales) revenue, both for the current month and year-to-date. A year-to-date comparative analysis is also rendered wherein target percentages and amounts for each account are compared with actual year-to-

ACTIVITY UNIT		SUMMARY OPERATIONS STATEMENT		PAGE 1	
CONJ NAVFSCOL HUNTERY CA		FOR THE PERIOD ENDING		RUN DATE 020941	
		27 JAN 1981			
		CM	YTD	YTD	
		SALES	DATE	SALES	
4000 REVENUE		100-00	312-111-49	100-00	
5000 COST OF GOODS SOLD		47-64	152-411-04	40-01	
	GROSS MARGIN	52-36	159-717-65	51-17	
6000 DIRECT EXPENSE					
6001 SALARIES AND WAGES		26-63	88-196-43	20-26	
6002 EMPLOYEE MEALS		2-12	5-941-53	1-90	
6003 SUPPLIES & REPLACEMENTS		2-34	7-773-79	2-49	
6004 REPAIRS AND MAINTENANCE		1-82	1-896-18	1-61	
6005 LAUNDRY		93-59	1-896-18	1-61	
6006 MISCELLANEOUS		48-00	786-13	-25	
	TOTAL DIRECT EXPENSE	14-16	109-140-57	34-97	
	DIRECT PROFIT/LOSS	10-20	50-577-08	16-20	
7000 GENERAL AND ADMIN. EXPENSE					
7001 SALARIES AND WAGES		10-51	34-050-94	11-17	
7002 PAYROLL TAXES		3-12	9-298-62	2-98	
7003 EMPLOYEE MEALS		3-33	11-108-25	3-93	
7004 ANNUAL LEAVE EXPENSE		1-30	2-279-88	-73	
7005 SICK LEAVE EXPENSE		071-61	6-33-40	-20	
7006 UTILITIES		133-35	1-159-37	-18	
7007 TELEPHONE, TELEGRAPH & POST		56-09	988-86	-12	
7008 ADVERTISING AND PROMOTION		203-89	60-00	-02	
7009 TRAVEL AND PER DIEM		60-00			
7010 FREIGHT AND TRANSPORTATION		-09			
7011 SUPPLIES		181-79	572-83	-18	
7012 REPAIRS & REPLACEMENTS		-27	412-40	-13	
7013 REMOVALS		280-26	1-151-10	-36	
7014 VEHICLE MAINT & OPER EXP		33-34	133-36	-04	
7015 EQUIPMENT RENTAL					
7016 PROF MEMBERS AND TRADING					
7017 CONFERENCE AND ACCOUNTING SERV					
7018 AUDIT AND ACCOUNTING SERV					
7019 SUBSCRIPTIONS					
7020 ENTERTAINMENT		12-92	51-68	-02	
7021 CREDIT CARD SALES EXPENSE		1-858-00	7-687-00	2-46	
7022 DEPR EXP-EQUIP, FIX & EQUIP		105-19	457-09	-15	
7023 DEPR EXP-BUILDING IMP		1-25	3-342-08	1-07	
7024 MISCELLANEOUS OTHER EXP		193-23	780-92	-23	
	TOTAL GEN & ADMIN EXPENSE	24-64	75-898-08	24-11	
	NET OPER. PROFIT/LOSS	6-44-	25-321-00-	8-11-	

Exhibit II-38. Summary Operations Statement for MCAS Activity

ACTIVITY OF 12 MONTHS ENDING		SUMMARY OPERATIONS STATEMENT FOR THE PERIOD ENDING		PAGE 2		RUN DATE 020901	
COMO NAVPUSCUL MONTEREY CA		27 JAN 1961					
	CURRENT MONTH	CH X OF SALES	YEAR TO DATE	VTD X OF SALES	VTD TARGET X	COMPARATIVE TARGET AMOUNT	ANALYSIS VARIANCE
OTHER INCOME							
8100 DUES	17-921-98	26-77	52-021-12	16-67	4-13	12-091-03	12-091-01
8500 CASH DISCOUNTS	126-79	-06	906-59	-05	-08	26-141-54	23-979-91
8590 TRANS FROM OTHER ACTS	161-52	-19	5-102-56	-20	-00		906-59
8610 CASH OVERAGES		-24		1-66	-00		5-192-56
8620 INVENTORY OVERAGES					-10	561-04	561-04
8700 COMMISSIONS					-01	31-21	31-21
8900 GAIN ON DISP FIXED ASSETS			547-40	-10	-00	3-776-79	547-40
8930 PRIOR FY INCOME ADJUSTMENT			10-00		1-21		3-766-79
8990 MISCELLANEOUS OTHER INCOME							
TOTAL OTHER INCOME	18-230-74	27-24	50-013-79	10-85	14-69	45-052-12	12-961-67
OTHER EXPENSE							
9100 SALES ASSESSMENTS					-97	3-027-68	3-027-68
9400 BAD DEBT EXPENSE					-06	124-85	124-85
9510 CASH SHORTAGES	193-12	-29	000-12	-20	-00		000-12
9620 INVENTORY SHORTAGES			100-04	-03	-00		100-04
9900 PRIOR FY INCOME ADJUSTMENT	160-02	-24	1-213-90	-39	-10	312-13	312-13
9990 MISCELLANEOUS OTHER EXP			746-57	-24	-09	200-92	1-213-90
TOTAL OTHER EXPENSE	153-14	-51	2-948-81	-94	1-20	3-745-58	796-75
NET PROFIT/LOSS	13-565-71	20-27	30-541-96	9-80	3-75	11-733-32	22-914-44

NOTE: ---- INDICATES MANAGEMENT ATTENTION MAY BE REQUIRED

Exhibit II-39. Summary Operations Statement for MCAS Activity

ACTIVITY 712010
 ACTIVATION FUND
 NAVAL POST GRAD SCHOOL
 MONTEREY CA

SUMMARY OPERATIONS STATEMENT
 FOR THE PERIOD ENDED 31 JAN 81

PAGE 1

ACCOUNT--NAME-	--CURRENT MONTH--		--YEAR TO DATE--	
	ACTUAL	BUDGET	ACTUAL	BUDGET
INCOME				
44001 EXCHANGE PROFIT DISTRIBUTION	45700-00	30649-29	45700-00	74770-98
44002 TRANSFERS FROM CENTRAL REFUND	2216-15	2121-05	2100-00	12143-15
440XX RESALE INCOME	27724-09	19727-87	100664-91	86125-08
440XX PROGRAM INCOME				
TOTAL INCOME	75640-24	52499-01	210512-16	171279-21
COST OF GOODS SOLD				
550XX COST OF GOODS SOLD	1668-94	1569-95	9829-78	9001-15
GROSS OPERATING MARGIN	73771-30	50929-06	200702-38	164277-86
DIRECT EXPENSES				
611XX SALARIES AND WAGES	11501-35	15618-25	51711-78	49581-94
612XX SUPPLIES	1215-25	1658-63	5255-19	5255-19
614XX REPAIRS AND REPLACEMENTS	162-57	2729-63	7226-58	11121-62
615XX REPAIRS AND MAINTENANCE	2491-90	1658-09	5166-81	6900-29
618XX AWARDS	114-80	109-91	956-25	979-98
619XX MISCELLANEOUS	4581-79	2494-96	11927-70	8416-51
621XX ENTERTAINMENT	2288-67	417-43	4716-53	4032-03
622XX TOURNAMENTS	120-00	20-00	760-00	458-69
623XX SALARIES & WAGES - MAINTENANCE	8991-93	11401-98	36811-40	34557-96
624XX OFFICIALS AND CIVILICS	582-00	1077-00	2791-00	2949-00
625XX SUBSCRIPTIONS & PUBLICATIONS		75-12		75-35
627XX MINOR EQUIPMENT (COST UNDER \$100)	992-86	235-12	1700-70	2080-02
628XX VEHICLE MAINTENANCE/OPERATION	991-91	132-60	7144-26	2232-29
629XX ANNUAL LEAVE ACCRUAL EXPENSE	594-15	2401-50	6079-31	5764-85
630XX SICK LEAVE EXPENSE		502-98		2020-05
TOTAL DIRECT EXPENSES	34824-08	42346-53	142630-35	137014-05
GROSS OPERATING PROFIT OR LOSS	39147-22	8582-53	58072-03	27243-81
TRANSFERS TO OTHER ACTIVITIES				
64100 SPLC EXPENDITURES UNIT ALLOCATIONS	1000-00	1000-00	4000-00	4000-00
TOTAL TRANSFERS TO OTHER ACTIVITIES	1000-00	1000-00	4000-00	4000-00

Exhibit II-40. Summary Operations Statement for RCAS Activity

ACTIVITY 7/2/80
RECREATION FUND
MONTICELLO GRAD SCHOOL
MONTICELLO, CA

SUMMARY OPERATIONS STATEMENT
FOR THE PERIOD ENDED 31 JAN 81

PAGE 3

ACCOUNT NAME	ACTUAL	CURRENT MONTH BUDGET	LAST YEAR	ACTUAL	YEAR TO DATE BUDGET	LAST YEAR
OTHER INCOME						
8400 CASH DISCOUNTS EARNED	18-01		97-18	127-82		344-12
8500 CASH OVERAGES	10-30		6-60	51-39		51-39
8700 INSURANCE PROCEEDS	1091-49			1091-49		
8900 PRIOR PERIOD INCOME ADJUSTMENTS				460-60		
TOTAL OTHER INCOME	1142-60		103-98	864-66		395-51
OTHER EXPENSE						
9200 DEPRECIATION EXPENSE	812-02		636-11	3251-28		4738-04
9500 TRANSFER INCOME/END MACH- TO MESSES	63-45		87-48	275-21		279-99
9600 CASH SHORTAGES	9-00		2-60	46-81		57-00
9800 LOSS ON DISPOSITION OF FIXED ASSETS				127-20		15541-11
9900 PRIOR PERIOD EXPENSE ADJUSTMENT						78-80
TOTAL OTHER EXPENSES	886-07		746-19	3700-10		20557-34
NET PROFIT OR LOSS	3300-78		405-95	30531-90		17438-10
ACTIVITY SELF SUFFICIENCY	71-0			65-9		

Exhibit II-41. Summary Operations Statement for RCAS Activity

date percentages and amounts, with resulting dollar variances being recorded in the right hand column of the statement. Arrow symbols are used in the right hand margin of the statement to attract management attention to unfavorable variances, which may indicate unfavorable operating conditions within the activity.

A review of Exhibits II-40 and II-41 reveals that the Summary Operations Statements which are provided to RCAS activities are formatted differently than those provided to MCAS activities. A vertical analysis of each account is not provided in the RCAS statement. Instead, actual account balances for the current month and year-to-date are compared with the previous year's balances for the same accounting month and year-to-date. According to NAFAS personnel, the currently blank budget column of the RCAS statement will eventually be used to provide a comparative analysis of actual account balances with the activity's approved budget amounts for the current month and year-to-date. Another financial management tool which is provided in the RCAS Summary Operations Statement is the self-sufficiency figure that appears at the end of the statement. This figure enables Recreation Fund managers to compare the attained self-sufficiency of their activity with the minimum self-sufficiency level which has been established for their activity by NMPC-65.

Exhibits II-42 through II-47 are used to illustrate the Departmental Operations Statements which are prepared by

ACTIVITY 0112 COMO NAVAPUSCUL MONTEREY CA		DEPARTMENTAL OPERATIONS STATEMENT FOR THE PERIOD ENDING 27 JAN 1991		PAGE 1 RUN DATE 0209H1	
	CURRENT MONTH	CH I OF SALES	PLAN TO DATE	YTD I OF SALES	YTD COMPARATIVE ANALYSIS TARGET I TARGET AMOUNT VARIANCE
***** FOOD MESS/CAFETERIA *****					
4110 OPERATING REVENUE	51,187.43	100.00	244,612.32	100.00	244,612.32
5110 COST OF GOODS SOLD	28,802.92	54.15	137,518.67	56.22	132,286.34
GROSS MARGIN	24,384.51	45.85	107,093.65	43.78	112,325.98
6000 DIRECT EXPENSES	13,729.10	25.81	60,797.82	28.13	67,904.38
6111 SALARIES AND WAGES	1,172.63	2.20	5,265.84	2.15	2,931.23
6112 EMPLOYEE MEALS	1,695.86	3.07	6,944.26	2.80	6,702.38
6113 SUPPLIES	325.00	.61	1,300.00	.53	4,182.87
6114 REPAIRS & REPLACEMENTS	721.13	1.36	4,445.29	1.82	929.53
6115 LAUNDRY	489.00	.92	1,788.15	.32	6,286.54
6116 MISCELLANEOUS	18,272.54	34.35	87,443.36	35.75	538.15
TOTAL DIRECT EXPENSE	6,111.97	11.50	19,652.29	8.03	86,837.38
DEPARTMENTAL PROFIT/LOSS	11.9	{ 0.1 MOS- }	35.6 { 0.1 MOS- }	10.42	25,488.60
MONTHLY RESALE STORY TURNS	0.7	{ 1.3 MOS- }	3.2 { 1.2 MOS- }	5.836-31	5,836-31
RESALE * CENTRAL STORE TURNS					
***** BAR *****					
4120 OPERATING REVENUE	13,778.53	100.00	67,297.47	100.00	67,297.47
5120 COST OF GOODS SOLD	3,096.97	22.48	14,897.17	22.14	19,496.08
GROSS MARGIN	10,681.56	77.52	52,400.30	77.86	47,801.39
6000 DIRECT EXPENSES	4,104.71	29.79	19,398.61	28.83	17,860.75
6121 SALARIES AND WAGES	246.19	1.79	675.69	1.00	2,600.02
6122 EMPLOYEE MEALS	93.73	.68	928.53	.38	962.79
6123 SUPPLIES	140.00	1.02	596.48	.89	664.15
6124 REPAIRS & REPLACEMENTS	19.38	.14	96.90	.11	538.18
6125 LAUNDRY					578.76
6126 MISCELLANEOUS	4,604.01	33.42	21,697.21	32.24	21,091.03
TOTAL DIRECT EXPENSE	6,077.55	44.10	30,703.09	45.62	26,710.36
DEPARTMENTAL PROFIT/LOSS	0.7	{ 1.5 MOS- }	3.2 { 1.2 MOS- }	39.69	3,992.73
MONTHLY RESALE STORY TURNS					
RESALE * CENTRAL STORE TURNS					

NOTE: <--- INDICATES MANAGEMENT ATTENTION
MAY BE REQUIRED

Exhibit II-42. Departmental Operations Statement for MCAS Activity

ACTIVITY 0112 COMD NAVPUSCOL MONTEREY CA		DEPARTMENTAL OPERATIONS STATEMENT FOR THE PERIOD ENDING 27 JAN 1981				PAGE 2 RUN DATE 020981	
		CURRENT MONTH	CM % OF SALES	YEAR TO DATE	YTD % OF SALES	TARGET % YTD	YTD COMPARATIVE ANALYSIS AMOUNT VARIANCE
***** SUNDRY MERCHANDISE *****							
5140 OPERATING REVENUE						100-00	
5140 COST OF GOODS SOLD						61-82	
	GROSS MARGIN						
6000 DIRECT EXPENSES							
6141 SALARIES AND WAGES						9-81	
6142 EMPLOYEE MEALS						1-00	
6143 SUPPLIES						1-31	
6144 RENEWALS & REPLACEMENTS						-00	
6145 REPAIRS AND MAINTENANCE						-03	
6146 LAUNDRY						-00	
6149 MISCELLANEOUS						-01	
	TOTAL DIRECT EXPENSE						
	DEPARTMENTAL PROFIT/LOSS						
MONTHLY RESALE STORY TURNS		0-0	{ 0-0 MOS- }	0-0	{ 0-0 MOS- }		
RESALE * CENTRAL STORE TURNS		0-0	{ 0-0 MOS- }	0-0	{ 0-0 MOS- }		
***** OTHER RESALE *****							
4190 OPERATING REVENUE				221-70	100-00	100-00	221-70
5190 COST OF GOODS SOLD						39-65	87-90
	GROSS MARGIN			221-70	100-00	60-35	87-90
6000 DIRECT EXPENSES							
6191 SALARIES AND WAGES						20-93	46-60
6192 EMPLOYEE MEALS						-20	1-62
6193 SUPPLIES						-67	1-91
6194 RENEWALS & REPLACEMENTS						-17	1-38
6195 REPAIRS AND MAINTENANCE						-63	1-60
6196 LAUNDRY						-00	2-82
6199 MISCELLANEOUS						1-27	53-55
	TOTAL DIRECT EXPENSE			221-70	100-00	24-15	53-55
	DEPARTMENTAL PROFIT/LOSS					36-20	141-45
MONTHLY RESALE STORY TURNS		0-0	{ 0-0 MOS- }	0-0	{ 0-0 MOS- }		

NOTE: <--- INDICATES MANAGEMENT ATTENTION
MAY BE REQUIRED

Exhibit II-43. Departmental Operations Statement for MCAS Activity

ACTIVITY 712010
RECREATION FUND
NAVAL POST GRAD SCHOOL
MONTEREY CA

DEPARTMENTAL OPERATING STATEMENT
FOR THE PERIOD ENDED 31 JAN 81

PAGE 3

••• BOWLING - RECREATION••	• CURR MUN• AMOUNT	• YR TO DATE• AMOUNT	• CURR MUN• AMOUNT	• YR TO DATE• AMOUNT
• INCOME•				
44005 DEPARTMENTAL INCOME	1924-86	6373-06	44009 DEPARTMENTAL INCOME	594-75
•• GROSS OPERATING MARGIN ••	1924-86	6373-06	•• GROSS OPERATING MARGIN ••	594-75
• DIRECT EXPENSES•			• DIRECT EXPENSES•	
61105 SALARIES AND WAGES	••	••	61109 SALARIES AND WAGES	••
61205 SLOT MACHINE ASSESSMENT	••	••	61209 SLOT MACHINE ASSESSMENT	••
61305 SUPPLIES	46-02	194-93	61309 SUPPLIES	••
61405 REPAIRS, REPLACEMENTS	••	118-05	61409 REPAIRS, REPLACEMENTS	••
61505 REPAIRS & MAINTENANCE	2448-30	2805-10	61509 REPAIRS & MAINTENANCE	••
61605 LAUNDRY	••	••	61609 LAUNDRY	••
61705 TRAVEL AND PER DIEM	••	••	61709 TRAVEL AND PER DIEM	••
61805 AWARDS	••	••	61809 AWARDS	••
61905 MISCELLANEOUS	••	••	61909 MISCELLANEOUS	298-65
62105 MOTION PICTURES	••	••	62109 MOTION PICTURES	••
62205 ENTERTAINMENT	••	••	62209 ENTERTAINMENT	••
62305 TOURNAMENT	••	••	62309 TOURNAMENT	••
62405 SALARIES & WAGES-MAINT	1147-20	4640-17	62409 SALARIES & WAGES-MAINT	••
62505 OFFICIALS AND CLINICS	••	••	62509 OFFICIALS AND CLINICS	••
62605 SUBSCRIPTIONS & PUB	••	••	62609 SUBSCRIPTIONS & PUB	••
62705 CAR RENTALS	••	••	62709 CAR RENTALS	••
62805 MINOR EQUIPMENT	••	••	62809 MINOR EQUIPMENT	••
62905 VEHICLE MAINT. & OPER.	••	••	62909 VEHICLE MAINT. & OPER.	••
63005 ANNUAL LEAVE EXPENSE	••	378-48	63009 ANNUAL LEAVE EXPENSE	••
63105 SICK LEAVE EXPENSE	48-00	453-24	63109 SICK LEAVE EXPENSE	••
•• TOTAL DIRECT EXPENSE ••	3689-52	8590-99	•• TOTAL DIRECT EXPENSE ••	293-65
• NET OPERATING PROFIT OR LOSS•	1764-66-	2217-93-	• NET OPERATING PROFIT OR LOSS•	296-10
••• END OF PERIOD BOOK INVENTORY •••	••	••	••• END OF PERIOD BOOK INVENTORY •••	••
••• SELF SUFFICIENCY PERCENTAGE •••	52-2 %	74-2 %	••• SELF SUFFICIENCY PERCENTAGE •••	199-1 %
				159-4 %

Exhibit II-46. Departmental Operations Statement for RCAS Activity

ACTIVITY #12010
RECREATION FUND
NAVAL POST GRAD SCHOOL
MONTEREY CA

SELF SUFFICIENCY SUMMARY
FOR THE PERIOD ENDED 31 JAN 81

PAGE 17

SELF SUFFICIENCY CATEGORY	CURRENT MONTH		YEAR TO DATE	
	INCOME BASE	EXPENSE BASE	INCOME BASE	EXPENSE BASE
01 AUTO HOBBY SHOP	2579.50	200.93	1281.8	0.0
02 MARINA	2579.50	200.93	1281.8	0.0
02A BOATING	2024.16	3770.46	53.7	0.0
03 BOATING	594.75	298.65	199.1	0.0
04 CRAFT & HOBBY SHOP	8933.73	7791.50	116.3	0.0
05 DEPENDENT ACTIVITIES & SERVICES	6706.73	7791.50	86.1	0.0
05A CHILD CARE CENTER				
05 ENTERTAINMENT	12954.05	13717.67	94.4	0.0
07 GOLF				
08 MOVIES				
09 SPORTS	1706.35	6047.21	28.2	0.0
11 OTHER RECREATION SERVICES	1006.45	4427.10	22.7	0.0
11A ANIMAL CARE				
11B VEHICLE RENTAL				
12 OUTDOOR RECREATION				
12A STABLE BOARDING				
13 RECREATION EQUIPMENT CHECKOUT	171.25	110.00	155.7	0.0
14 SWIMMING				
00 MISCELLANEOUS REVENUE ACTIVITIES				
TOTAL ALL PROGRAMS & CATEGORIES	29940.24	36493.02	82.0	0.0

Exhibit II-47. Departmental Operations Statement for RCAS Activity/Self Sufficiency Summary

NAFAS on behalf of MCAS and RCAS activities. In Exhibits II-42 through II-44, the Departmental Operations Statement of a Commissioned Officers Mess (Open) is rendered in its entirety. Cast in the same format as the Summary Operations Statement, the Departmental Operating Statement presents an analysis of sales, expenses, and direct profits which were experienced by each department within the MCAS activity during the current accounting month and year-to-date. In so doing, it aids managers in pinpointing the sources of unfavorable variances and/or unfavorable operating conditions within their activity so that they may initiate corrective actions to improve them. Additional features included in the MCAS Departmental Operations Statement are the calculation of departmental inventory turnovers for the current month and year-to-date. As shown, departmental inventory turnover calculations are expressed in months and are determined by dividing the end of the month inventories by cost of goods sold. The end of the month inventory amount which is used in calculating the year-to-date inventory turnover is an average of the previous monthly ending inventories for the year. It should also be noted that two sets of inventory turnovers are calculated for departments whose inventories are divided between resale locations and a central storeroom. Current month and year-to-date inventory turnovers are first computed for departmental resale locations. A second set of inventory turnovers is then computed for the combined inventories of these resale locations and the central storeroom. [91]

Exhibits II-45 through II-47 respectively depict the first, third, and final page of an RCAS Departmental Operations Statement. This statement presents an analysis, by department, of monthly receipts, expenses, and net profits (or losses), stated in total dollars for the current month and year-to-date. End of the period book (at retail) inventory figures are also provided for recreation resale departments (e.g., golf and bowling pro shops). Lastly, self-sufficiency figures are provided for each department and, as shown in Exhibit II-47, for each major recreation activity (or category). The income base, cost base, and self-sufficiency figures provided in Exhibit II-47 represent the sum of incomes, costs, and self-sufficiency for related recreation departments. For example, the current month income base for bowling in Exhibit II-47 represents the combined monthly revenues from the bowling pro shop (Exhibit II-45) and bowling lanes ("Bowling-Recreation," Exhibit II-46). [92]

The Fund Status Report (Exhibit II-48) concludes discussion of the monthly financial statements which NAFAS produces. Provided only to RCAS activities, this report is divided into the following sections:

1. Cash Receipts. This section reports the amount of deposits during the accounting month as reported on the NAVCOMPT Forms 2142 (Daily Cash Report) submitted by the activities. All other cash receipts, including profits from Navy exchanges, are also reported in this section.

NAVAL MILITARY PERSONNEL COMMAND
(RECREATION FUND)
FUND STATUS

ACTIVITY: RECREATION FUND 712010 PERIOD ENDING: 31 JAN 1981
NAVAL POST GRAD SCHOOL
MONTEREY CA

CHECKBOOK BALANCE BEGINNING OF MONTH	\$	9,719.43
ADD CASH RECEIPTS FROM:		
ACTIVITY DEPOSITS		
ALL OTHER TRANSFERS IN		
TOTAL CASH RECEIPTS	77,605.22	77,605.22
CHECKBOOK BALANCE 9.O.M. PLUS CASH RECEIPTS		87,324.65
LESS CASH DISBURSEMENTS AND FUNDS TRANSFERRED		
PURCHASES OF INVENTORY (RETAIL DEPARTMENTS)		
LESS PURCHASE DISCOUNT	2,565.46	
PAYROLL	38.81-	
LESS PAYROLL DEDUCTIONS	24,518.06	
DIRECT DEPARTMENTAL EXPENSE (LESS PAYROLL)	6,106.94-	
GENERAL EXPENSE (LESS PAYROLL)	10,462.79	
PURCHASES OF FIXED ASSETS	727.61	
LIQUIDATIONS OF LIABILITIES, LOANS, RESERVES	15,146.75	
MISCELLANEOUS	8,608.20	
FUNDS TRANSFERRED	280.00	
TO NMPC (CENTRAL REC. FUND)		
TO MESSES-CLUBS-UNITS-COMMANDS		
TOTAL CASH DISBURSEMENTS AND FUNDS TRANSFERRED	1,000.00	57,083.12
CHECKBOOK BALANCE END OF MONTH	\$	30,241.53
LESS OBLIGATIONS:		
ACCRUED		
PURCHASES OF RESALE INV., PREPAID EXP & F/A		
DIRECT DEPARTMENTAL EXPENSES	2,328.05	
GENERAL EXPENSES	68.95	
CURRENT LIABILITIES	682.07-	
RESERVES:		
FOR FACILITY IMPROVEMENTS	13,500.00	
OTHER		
TOTAL ACCRUED EXPENSES, LIABILITIES AND RESERVES		15,214.93
FUNDS AVAILABLE	\$	15,026.60
LOANS PAYABLE (LONG/SHORT TERM)		
OPEN ORDERS	39,600.00	

Exhibit II-48. Recreation Fund Status Report

2. Cash Disbursements and Funds Transferred. This section reports the amount of cash disbursed during the accounting month as reported by the BUPERS Form 4 (Remittance Statement with Check) submitted by activities. In order to state net disbursements with respect to purchases and payroll expenditures, purchase discount and payroll deductions are deducted from the applicable gross expenditures.

3. Liabilities and Reserves. Accrued purchases and the end of the month balance in the liability and reserve accounts (except loans payable) are reported in this section.

4. Checkbook Balance. The beginning of the month checkbook balance shown on the first line of the fund status, plus total cash receipts, less total cash disbursements and funds transferred, equals the end of the month checkbook balance. Funds available may be restricted further by loans payable and open orders which appear as memorandum amounts on the last line of the form. [93]

In addition to accounting for the NMPC Central Fund and producing monthly financial statements, NAFAS performs at least four other major services on behalf of MCAS and RCAS field activities. These include:

1. Reconciliation of all checks written against the Mess Central and Recreation Central Concentration Bank Accounts. [94,95]

2. Reconciling local depository bank accounts for 591 field activities, eliminating the requirement for these activities to reconcile their own accounts. [96]

3. Assisting field activities in operating within the centralized accounting system by providing financial accounting guidance to them. [97]

4. Sponsoring an automated "Touch Pay" payroll accounting system, which automatically computes payroll deductions and prints checks for approximately 20,000 NAF employees. [98]

The "Touch Pay" payroll accounting system is addressed separately in the following section of this chapter. Amplification of the other three services that are listed above can best be accomplished by describing the functions of the Field

Accounting and Banking Services (FABS) Unit, which is the department within NAFAS that is responsible for providing them.

The organizational structure of the FABS Unit was previously depicted in Exhibit II-10. As shown in this exhibit, eight of the 12 persons assigned to the FABS Unit perform banking services on behalf of MCAS and RCAS field activities. These services include the ongoing reconciliation of all checks drawn and deposits made on the Mess Central and Recreation Central Concentration Bank Accounts and the reconciliation of 591 local depository bank accounts. A partial appreciation for the scope of these services can be derived from the following banking statistics which were provided to the author by NAFAS:

1. Annually, approximately seven hundred and forty-seven thousand (747,000) checks are processed and reconciled through the concentration bank accounts, by system, as follows:

Mess Central Banking System	457,000
Recreation Central Banking System	282,000
NMPC Central Fund Banking System	8,000

2. Annually, approximately one hundred and ninety thousand separate deposits are processed and reconciled through the concentration bank accounts, by system, as follows:

Mess Central Banking System	158,000
Recreation Central Banking System	32,000
NMPC Central Fund Banking System	250

3. Approximate annual dollar volumes flowing into and from the concentration bank accounts by system are prescribed below:

Mess Central Banking System	\$283,000,000
Recreation Central Banking System	\$121,000,000
NMPC Central Fund Banking System	\$ 25,000,000 [99]

The basic procedures used in reconciling the Mess Central and Recreation Central Concentration Bank Accounts are, for the most part, analagous to the steps which must be taken by the average citizen in reconciling his or her checking account at the end of each banking month. However, due to the aforementioned volume of recurring transactions, reconciliation of these accounts necessitates an ongoing full time effort by several persons and must be accomplished with computer assistance.

As previously mentioned, Depository Transfer Checks are automatically produced each day FNB St. Louis based on electronic source data which is provided to the central bank by NAFAS. Among the many output reports produced by the NAFAS computer at the end of each computer run are separate listings of all deposits made into the Mess Central and Recreation Central Concentration Bank Accounts. An excerpt from one of these reports is contained in Exhibit II-49. Within two to five days following the daily taped transmissions of DTC source data to the central bank, NAFAS receives a computerized listing of the Depository Transfer Checks which have been produced by FNB St. Louis as a result of these transmissions. NAFAS banking personnel then compare the computer listings produced by FNB St. Louis with their own computer listings (Exhibit II-49) to ensure that all deposits were properly recorded in the accounts of the central bank. [100]

Although a predominantly straightforward process, the tracking of MCAS and RCAS deposits is made slightly more

02/09/81	DTC TRANSMISSION		PAGE 7
DEPOSIT #	AMOUNT	DEPOSIT #	AMOUNT
1633079	416.00	1613080	1-132.00
1631080	435.00	1631080	1-723.00
1633080	550.00	1633080	835.00
1631080	175.00	1614031	11-121.43
1631122	3-722.75	1635123	2-255.90
1631124	707.50	1615125	1-268.65
2100062	121.55	2301042	135.60
2105099	224.75	2305100	115.20
2105101	134.40	2313031	475.75
2114099	2-062.00	2314170	1-280.75
2505078	4-191.70	2523115	748.60
2523116	478.65	2609093	3-517.20
2710077	319.65	2710078	1-511.05
3002030	144.05	3002031	33.45
3002032	405.50	3002033	114.75
3004118	805.95	3004119	1-016.70
3004120	1-393.92	1004121	890.75
3004122	326.50	3102030	436.35
3102081	567.50	3102032	9.50
3122082	1-272.34	3210094	3-405.30
3210095	3-435.60	3223059	165.50
3223060	371.75	3246059	220.40
3246060	219.35	3301108	85.53
3301108	6-542.44	3306065	10.95

PAGE TOTAL			
DEPOSIT #	12234334	AMOUNT	60,166.46

Exhibit II-49. MCAS DTC Transmission

complex by two conditions. First, not all MCAS and RCAS activities utilize the local depository transfer method previously described in this chapter. Due to their remote geographic locations or other unique circumstances, approximately 100 field activities make their deposits directly by mail to FNB St. Louis. Depending on the timing of these deposits and whether or not they reach FNB St. Louis prior to the arrival of accounting source documents at NAFAS, circumstances arise in which deposits are recorded by the central bank but have not been recorded in the MCAS or RCAS.

Alternatively, a second unsynchronized situation arises when, following the end of each accounting month, FNB St. Louis prepares bank statements on behalf of NAFAS. The preparation of these bank statements typically takes place prior to the receipt at NAFAS of many end-of-the-month deposits and accounting source documents from various field activities. Accordingly, the monthly deposit statements provided to NAFAS by the central bank may not reflect all deposits which, for the purposes of the MCAS and RCAS, should be credited to the prior accounting month. For banking purposes, late deposits are separately reconciled as "deposits in transit." [101]

The tracking of unrecorded deposits and deposits in transit is aided by the use of computer tapes which are forwarded to NAFAS by FNB St. Louis following the end of each accounting month. Containing a listing of all deposits which were recorded by the central bank for the previous accounting

month, source data from these tapes are fed into the NAFAS computer, which is programmed to match all deposits listed by FNB St. Louis with those recorded by NAFAS for the previous accounting period. Reports similar to those contained in Exhibits II-50 and II-51 are then produced by the NAFAS computer, which is programmed to identify and segregate unmatched deposits. [102]

Due to volume and the nature of the check clearing process itself, the reconciliation of all checks written against the Mess Central and Recreation Central Concentration Bank Accounts is a more involved and drawn-out process than the reconciliation of deposits. All checks must be strictly accounted for from the time they are written until the time that they are paid by FNB St. Louis. This process is prolonged by the fact that, in addition to normal delays associated with the mailing and delivery of accounting source documents to NAFAS, significant record keeping delays are also experienced when the parties to whom checks have been disbursed fail to promptly process them for payment. Like deposit reconciliations, FNB St. Louis furnishes NAFAS with monthly checking account statements and magnetic tapes listing all checks which have been paid by the central bank for the previous accounting month. [103]

Exhibit II-52 is an example of the type of monthly statements which are provided to NAFAS by FNB St. Louis for the purposes of reconciling all checks drawn against the

0000000	0000	01/07/81	1,941,416.98-	010788
0000000	0000	01/22/81	1,807,455.91-	010791
0000000	0000	01/20/81	1,765,860.61-	010794
0000000	0000	01/19/81	1,736,656.61-	010797
0000000	0000	01/26/81	1,637,913.02-	010800
0000000	0000	01/27/81	1,498,300.97-	010803
0000000	0000	01/05/81	1,292,047.79-	010806
0000000	0000	01/21/81	1,252,495.72-	010809
0000000	0000	01/23/81	1,224,284.95-	010812
0000000	0000	01/09/81	1,205,311.26-	010815
0000000	0000	01/14/81	1,186,621.49-	010818
0000000	0000	01/02/81	1,151,246.66-	010821
0000000 13	0000	08/13/81	1,142,338.39-	010824

Exhibit II-50. MCAS Unrecorded Deposits in Bank

MAR 04, 1981

MCAS DEPOSITS IN TRANSIT

PAGE 1

CHECK NO	ACTIVITY	DATE	AMOUNT	REC NO
0106099	0106	01/24/81	1,051.55	130479
0106100	0106	01/29/81	1,355.26	130485
0106101	0106	01/27/81	2,381.60	130488
0107005	0106	01/27/81	2,354.00	130491
0108106	0108	01/23/81	634.00	130494
0108107	0108	01/24/81	3,902.75	130497
0108108	0108	01/25/81	1,343.80	130500
0108109	0108	01/26/81	401.38	130503
0109093	0108	01/27/81	750.95	130506
0109094	0109	01/24/81	1,152.15	130509
0109095	0109	01/25/81	242.40	130512
0109096	0109	01/26/81	146.75	130515
0110066	0110	01/27/81	847.30	130518
0110067	0110	01/27/81	771.30	130521
0110068	0110	01/27/81	144.20	130524
0111076	0111	01/23/81	616.45	130527
0111077	0111	01/27/81	311.15	130530
0111078	0111	01/27/81	5,842.10	130533
0111079	0111	01/27/81	2,661.35	130536
0112077	0112	01/23/81	4,359.35	130539
0112078	0112	01/26/81	11,671.29	130542
0112079	0112	01/27/81	8,795.95	130545
0113062	0113	01/25/81	1,725.05	130548
0113063	0113	01/25/81	17,921.98	130551
0201079	0201	01/27/81	79.60	130554
0310071	0310	01/27/81	279.80	130557
0310073	0310	01/27/81	80.80	130560
0310074	0310	01/27/81	2,428.80	130563
0310075	0310	01/20/81	10,519.67	130566
0310076	0310	01/21/81	10,163.77	130569
0310077	0310	01/21/81	233.18	130572
0310078	0310	01/25/81	1,586.93	130575
0310079	0310	01/26/81	559.95	130578
0311076	0311	01/28/81	3,978.18	130581
0311077	0311	01/28/81	1,041.20	130584
0311078	0311	01/27/81	5.00	130587
0311079	0311	01/27/81	67.45	130590
0312073	0312	01/21/81	1,108.40	130593
0312074	0312	01/22/81	1,459.90	130596
0312075	0312	01/24/81	471.00	130603
0312076	0312	01/26/81	6,408.30	130606
0312077	0312	01/26/81	21.90	130609
0312078	0312	01/26/81	564.90	130612
0312079	0312	01/27/81	160.50	130615
0313076	0313	01/27/81	1,085.95	130620
0313077	0313	01/27/81	242.60	130623
0313078	0313	01/22/81	581.85	130626
CUH TOTAL			120,400.87	130629

Exhibit II-51. MCAS Deposits in Transit

Account Reconciliation Plan

[illegible]

- stop payment in effect check has not been presented
- stop payment in effect check presented and returned
- check paid in error stop payment reversed this period
- duplicate serial number
- missing item

Explanation of Codes

- 1 - check paid this period, no outstanding item received
- 2 - check voided if outstanding item returned
- 3 - check paid previous period, outstanding item still not received, memo void, not added into totals

concentration bank accounts. Additionally, magnetic tapes provided by FNB St. Louis are used to match all checks paid by the central bank with all checks that have been recorded in the MCAS and RCAS by NAFAS. Reports summarizing all outstanding checks which have not cleared FNB St. Louis and unrecorded checks which have been paid by the central bank are then published by the computer. Examples of these reports are contained in Exhibits II-53 and II-54. The payment of checks which have not been previously recorded in either the MCAS or RCAS is an occurrence which typically arises from keypunch errors, delayed submission or total failure of field activities to submit accounting source documents, errors by the central bank, use of wrong check numbers, and monetary variances between the actual checks which were written by field activities and the accounting source documents which they forwarded to NAFAS. [104]

In addition to reconciling the Mess Central and Recreation Central Concentration Bank Accounts, the banking section of the FABS Unit is responsible for reconciling the local depository bank accounts of 591 MCAS and RCAS activities. Prior to undertaking this responsibility, 40 percent of all MCAS and RCAS field activities did not make an effort to reconcile their own local bank accounts. [105] The decision to have NAFAS reconcile local accounts as well as the centralized concentration bank accounts was prompted by the desire to add still another cash control element to the centralized

MAR 04, 1981		MCAS UNRECORDED CHECKS PAID BY BANK		PAGE	1
CHECK NO	ACTIVITY	DATE	AMOUNT	REC NO	
000000	0000	12/18/80	-05	000003	
000001	0000	01/07/81	1,841,416.98	000006	
000001	0000	01/22/81	1,807,455.91	000009	
000001	0000	01/20/81	1,765,860.61	000012	
000001	0000	01/19/81	1,736,656.61	000015	
000001	0000	01/26/81	1,637,913.02	000018	
000001	0000	01/27/81	1,498,300.97	000021	
000001	0000	01/05/81	1,292,047.79	000024	
000001	0000	01/21/81	1,252,495.72	000027	
000001	0000	01/23/81	1,224,284.95	000030	
000001	0000	01/09/81	1,205,311.26	000033	
000001	0000	01/14/81	1,186,621.49	000036	
000001	13 0000	01/03/81 CUM 1681	1,151,246.66 17,599,612.02	000039	

Exhibit II-53. MCAS Unrecorded Checks Paid by Bank

CHECK NO	ACTIVITY	DATE	AMOUNT	REC NO
000000	0505	01/14/80	455,660.24	100003
000000	5011	01/25/80	370,000.00	100006
000000	5011	01/25/80	147,279.65	100009
000000	5011	01/27/81	6,874.85	100012
000000	5010	01/27/81	6,374.85	100015
000000	5010	01/25/80	147,279.65	100018
000000	5010	01/25/80	370,000.00	100021
000000	0507	01/14/80	455,660.24	100024
0001200	0107	09/29/80	488.42	100027
0001309	0103	07/20/80	185.00	100030
0004233	0113	01/23/81	7,988.00	100036
0004234	0113	01/28/81	372.94	100039
0004235	0113	01/28/81	589.26	100042
0016124	0334	01/19/81	34.49	100045
0019128	0334	01/19/81	283.68	100048
0019889	0334	01/23/81	208.35	100051
0024420	0356	01/23/81	20.00	100060
0024422	0356	01/26/81	228.00	100063
0024423	0356	01/27/81	124.69	100066
0024424	0356	01/27/81	99.26	100069
0024425	0356	01/27/81	24.00	100072
0038677	0626	01/13/81	19.00	100075
0041166	0700	01/21/81	225.00	100078
0045727	0803	01/22/81	354.72	100081
0045728	0803	01/23/81	76.12	100084
0045729	0805	01/27/81	133.82	100087
0054903	1320	01/16/81	39.00	100090
0056011	1330	01/23/81	130.53	100093
0069438	1361	12/04/80	71.84	100096
0069442	1361	12/18/80	71.93	100099
0069444	1361	01/07/81	99.25	100102
0069445	1361	01/22/81	75.28	100105
0069447	1361	01/22/81	76.21	100108
0069448	1361	01/26/81	2,204.51	100111
0069449	1361	01/26/81	7,996.83	100114
0069450	1361	01/26/81	2,125.00	100117
0069451	1377	01/26/81	140.66	100120
0074669	1403	01/27/81	17.45	100123
0077813	1403	01/22/81	60.75	100126
0077820	1403	01/22/81	60.75	100129
0084177	1611	10/17/80	5,311.18	100132
0084191	1611	01/26/81	1,538.06	100138
0091338	1627	01/15/81	16,726.21	100141
0091341	1627	01/20/81	28.90	100144
0091342	1627	01/26/81	754.79	100147
0091343	1641	01/26/81	258.13	100150
0096239	1700	01/09/81	55.60	100153
0098732	1700	01/27/81	49,657.06	100156
CUM TOTAL				

Exhibit II-54. MCAS Outstanding Checks

accounting and banking system and further reduce field activity accounting and bookkeeping requirements. MCAS and RCAS activities whose local bank accounts are reconciled by NAFAS are relieved from virtually all banking responsibilities with the exception of physically making daily cash deposits and the mailing of previously described accounting source documents. Consequently, field activity managers must exclusively use the monthly financial statements provided by NAFAS in lieu of local bank statements to monitor cash increases and decreases to their activity's accounts. This arrangement further underscores the mandatory requirement for the accurate and timely preparation and delivery of monthly financial statements by NAFAS to participating field activities. [106]

In addition to providing banking services to MCAS and RCAS field activities, the FABS Unit is also responsible for providing financial management and accounting guidance to field activity managers and bookkeepers. As shown in Exhibit II-10, two operating accountants are assigned to this effort on a full time basis. Among other things, these operating accountants are responsible for performing the following services:

1. Reviewing all monthly financial statements for quality and accuracy before they are mailed to recipient field activities.
2. Providing technical assistance to field activity managers and bookkeepers on accounting matters. Assistance is rendered in the form of numerous telephone calls and written correspondence.

3. Performing an ongoing review of the training requirements for field activity managers and bookkeepers and, in so doing, serving in an advisory capacity to the Navy Special Services Administrative Activity (NSSAA), which is the activity within NMPC-65 which is responsible for conducting training and audit programs on behalf of field activity managers and bookkeepers.

4. Performing internal reviews and audits of NAFAS itself and, in conjunction with this responsibility, providing ongoing technical assistance in accounting matters to the other units within NAFAS (e.g., CFAU and PSU).

5. Initiating proposals for the reduction of paperwork and accounting requirements at the field activity level. [107]

Above all others, the primary objectives of NAFAS are to serve as an accounting agency for the collection, temporary investment, and redistribution of Navy NAFS on behalf of NMPC-65, and to provide centralized accounting and banking services to MWR field activities who are required to participate in the MCAS and RCAS. [108] In support of these objectives, management personnel within NAFAS employ a variety of measurements with which they monitor and gauge the performance of their organization. As demonstrated by Appendices C, D, and F, income and cost performance are continuously reviewed. Appendix G provides turnaround and miscellaneous production statistics with which NAFAS measures the efficiency of its internal operations. In addition to the charts and graphs contained in Appendix G, supplemental statistical summaries were provided to the author while visiting NAFAS. From these documents and interviews with NAFAS personnel, the following additional statements can be made concerning the level of activity and accomplishment within NAFAS:

1. The investment earnings from concentration banking greatly exceed the costs of operating the centralized accounting and banking system. For FY 1979, earnings exceeded costs by a ratio of 12 to 1. [109]

2. In recent years, investment earnings have typically exceeded \$1,000,000.00 per month. (However, this statement must be tempered with the additional comment that these high investment earnings have been greatly helped by the availability of high interest rates and corresponding rates of return in the short term money markets as a result of nationwide economic inflation. A downturn in available interest rates could cause this figure to decline.) [110]

3. Approximately 105,000 transmittal envelopes and 2,000,000 accounting and banking source documents are edited, controlled, and processed annually by NAFAS. [111]

4. Approximately 12,000,000 accounting and banking transaction records are processed annually by NAFAS. [112]

5. Approximately 260,000 separate financial statements are prepared, bursted, collated, and forwarded to field activities and their chain of command on an annual basis. [113]

6. Approximately 16,000 letters and notices are prepared annually for the purposes of cash control and maintenance of accurate and acceptable accounting practices. [114]

7. Over 7,000 local bank reconciliations are prepared annually. [115]

8. Five hundred thousand (500,000) separate pages of banking and financial information are produced and distributed annually. [116]

9. Approximately 20,000,000 lines of data are printed as financial and banking information annually. [117]

10. Approximately 20 percent of all accounting source documents submitted to NAFAS contain either clerical or accounting errors. NAFAS audit clerks typically reduce this error rate to 5 percent prior to key entry into the NAFAS computer. [118]

NAFAS management personnel use two primary measurement techniques which can be found in current management literature - results measures and process measures. For the purposes of

further discussion, these measurement techniques are described as follows:

1. Results measures. A results measure is a measure of output expressed in terms that are supposedly related to an organization's objectives. In the ideal situation, the objective is stated in measurable terms, and the output measure is stated in these same terms. When this relationship is not feasible, as is often the case, the output measure represents the closest feasible way of measuring the accomplishment of an objective that cannot itself be expressed quantitatively. Such a measure is called a surrogate or a proxy. ... A results measure relates to the impact that the organization has on the outside world. If the organization is client oriented, a results measure relates to what the organization did for the client. Organizations that render service to a class of clients, such as alcoholics or unemployed persons, may measure output in terms of the results for the whole class, or target group. [119]

2. Process measures. A process measure relates to an activity carried on by the organization. Examples are the number of livestock inspected in a week, the number of lines typed in an hour, the number of requisitions filled in a month, or the number of purchase orders written. The essential difference between a results measure and a process measure is that the former is "ends oriented," while the latter is "means oriented." An ends-oriented indicator is a direct measure of success in achieving an objective. A means-oriented indicator is a measure of what a responsibility center or an individual does. There is an implicit assumption that what the responsibility center does helps to achieve the organization's objectives, but this is not always a valid assumption. For example, in an air pollution program, the change in the amount of SO₂ in the atmosphere is an ends-oriented results measure, while the number of inspections made of possible violators is a means-oriented process measure. The implication of a causal relationship between the number of inspections made and the amount of air pollution may or may not be valid. The terms "performance oriented" and "work oriented" are other names for the same distinction between ends-oriented and means-oriented indicators.

Process measures are most useful in the measurement of current, short-run performance. They are the easiest type of output measure to interpret because there presumably is a close causal relationship between inputs and process measures. They measure efficiency, but not effectiveness. ... Process measures can lead to ineffective performance if they are unrelated to results measures. For example, the U.S. Air Force measured performance of certain squadrons by the number of hours flown, which is a process measure. Some times squadrons

would build up a record of performance based on this measure simply by flying for many hours in large circles around a base, without any real accomplishments. [120]

An analysis of Appendix G and the previously cited performance statistics which were compiled by NAFAS reveals that, with the exception of cost and income measurements, virtually all of the performance measures used by NAFAS are of the process type. Heavy emphasis is placed on the measurement of quantity, efficiency, and "means-oriented" measures as opposed to qualitative end results measures which are designed to gauge the effectiveness with which the organization is meeting its objectives and the impact, positive or otherwise, that it has on its client population. Additional thoughts on the measurement of quality versus quantity are rendered in the following passage:

Performance has both a quantity and a quality dimension. Usually it is more feasible to measure quantity (e.g., number of students graduated) than to measure quality (e.g., how well the students were educated). Despite this difficulty, the quality dimension should not be overlooked. Indeed, the indicator that is chosen to measure quantity usually implies some standard of quality. "Number of lines typed per hour" usually carries with it the implication that the lines were typed satisfactorily in order to be counted, and there may even be an explicit statement of what constitutes a satisfactory line of typing, such as the requirement that it be free of errors. Similarly, the measure "number of students graduated" implies that the students have met the standards of quality that are prescribed for graduation.

In some situations, judgments about quality are limited to such "go/no-go" statements as those given above; either a line of typing was error-free or it was not; either students met the requirements for graduation or they did not. In these situations, it is not feasible to measure quality along a scale; for example, to determine that this year's graduates received a better education than last year's ... The absence of quality measures

in management control systems may lead to a detrimental emphasis on quantity, for example, people being rapidly pushed through an education program; a large number of quick and careless pollution inspections; quick, shoddy construction jobs. Thus, every effort should be made to find some acceptable quality measure, even though it is crude. [121]

The foregoing passage states that a chosen measure of quantity usually implies some measure of quality. It is this line of thinking upon which the many process measures employed by NAFAS are used. Significant efforts are made to ensure the timeliness and accuracy of the monthly financial statements which are provided to MCAS and RCAS field activities. In this instance, timeliness and accuracy are certainly key elements in the quality of financial information which NAFAS produces. However, impressive turnaround statistics, zero error rates, and other production figures do not provide a comprehensive measure of the ultimate usefulness of monthly financial reports. They do not reflect whether or not field activity managers understand them, or allow a determination to be made as to whether or not the additional preparation of paperwork which is required to support the centralized accounting and banking system is, in the opinion of field activity managers, justified in terms of the accounting and banking services that are provided to them.

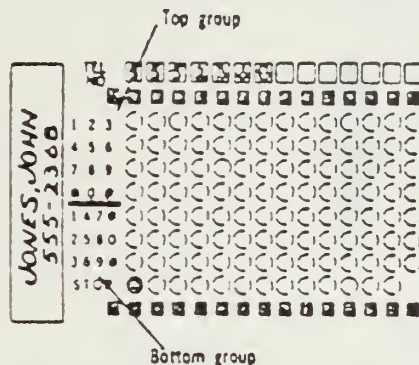
D. OVERVIEW OF THE "TOUCH-PAY" PAYROLL ACCOUNTING SYSTEM

The "Touch-Pay" Payroll Accounting System is a computerized payroll system which is operated by Touch Pay Systems (TPS), a small commercial computer firm located in Los

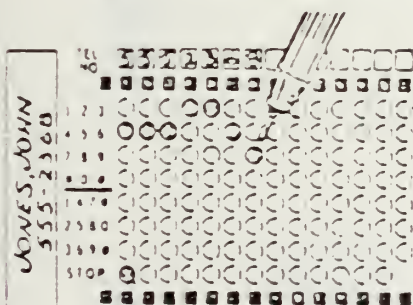
Angeles, California. On a bi-weekly basis, TPS produces a series of payroll reports and paychecks for nearly 20,000 NAF employees through a contractual arrangement with the Navy. Within the Navy, NAFAS is the primary proponent of TPS and serves as the primary technical and administrative intermediary for all TPS related matters. Although not integral to the daily operations of NAFAS, the implementation of TPS payroll accounting represents yet another effort by NAFAS to reduce accounting and bookkeeping efforts at the field activity level while concurrently achieving an additional cash control element over NAF's. [122]

TPS makes use of two simple tools - a touch tone card dialing telephone (or card dialing attachment) and coded plastic punch-cards which identify each employee, his or her number of dependents, type of pay (e.g., hourly), and rate of pay to allow the touch-pay computer system to automatically compute all payroll figures. Exhibits II-55 and II-56 illustrate the format and methods used in preparing employee plastic data cards. Exhibit II-57 briefly illustrates how the system is operated. Standard procedures for using the system are as follows:

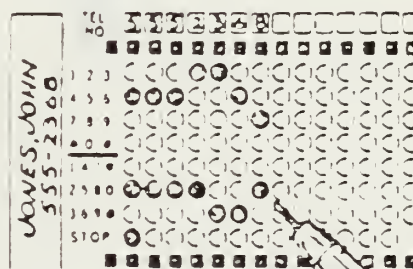
1. Each activity calls the touch-pay receiving center. The lines are automatically answered with special tones indicating that the system is ready to accept data.
2. A plastic card identifying this activity and installation is placed in the telephone and transmitted. This becomes a unique identifier for that unit to the system.
3. The pay period ending date is then manually entered using the touch tone key board.



3. TWO GROUPS OF NUMBERS ARE PRE-PRINTED ON THE CARD. THE EMPLOYEE DATA MUST BE PUNCHED IN THE TOP GROUP OF NUMBERS AND ALSO IN THE BOTTOM GROUP.
 4. USING THE TOP GROUP OF NUMBERS ONLY, LOCATE THE DISC IN THE COLUMN UNDER THE FIRST DIGIT OF THE EMPLOYEE DATA THAT CORRESPONDS WITH THAT DIGIT IN THE PRINTED NUMBER GROUP. PUNCH OUT THE DISC WITH A BALL-POINT PEN OR PENCIL. FOLLOW THIS PROCEDURE UNTIL THE NUMBERS HAVE BEEN PUNCHED IN THE TOP GROUP.
 5. REPEAT THE SAME PROCEDURE FOR THE BOTTOM GROUP OF NUMBERS. WHEN COMPLETED THERE SHOULD BE TWO HOLES IN EACH COLUMN FOR EACH DIGIT.
- NOTE: THE COMPLETE DISC MUST BE REMOVED, NOT JUST PUNCHED IN.



A column of discs is associated with each digit of the number



Two holes punched in each column for each digit

5 EASY STEPS TO PAYROLL WRITING and REPORTING

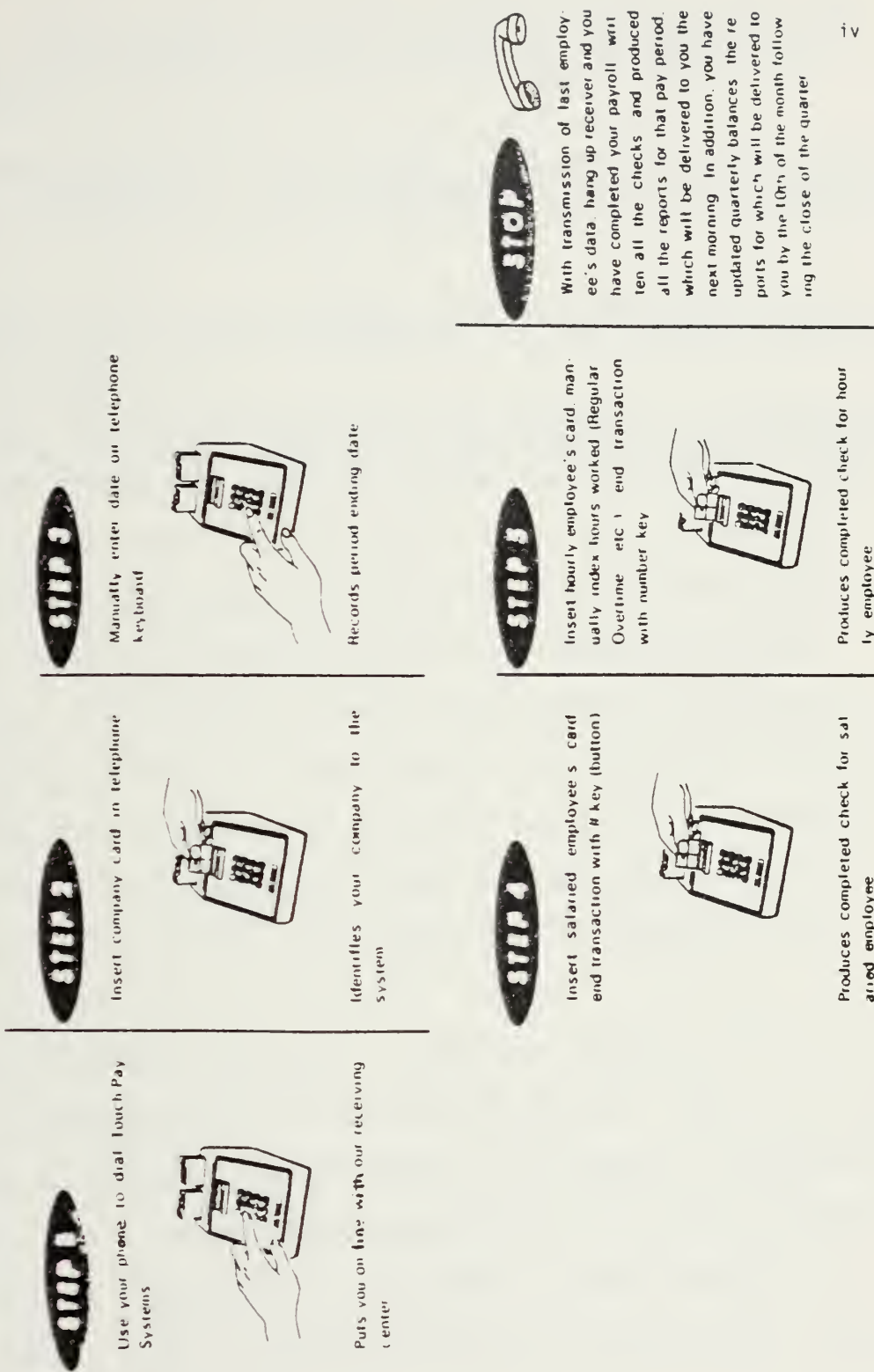


Exhibit II-57. Five Easy Steps to Payroll Writing and Reporting

4. A plastic "Hours Control Card" containing the control total of all payroll hours for the pay period is inserted into the telephone and transmitted.

5. A plastic "Dollars Control Card" containing the control total (in dollars) for the activity's entire payroll for the current pay period is inserted into the telephone and transmitted.

6. Each employee's plastic card is inserted in the telephone and transmitted. A pay code and hours for each employee is entered. The transaction is ended by pressing the number key (#).

7. Any tips, service charges, and/or other deduction or pay category, (that is not automatic) is now manually entered on the key board.

8. When all of the data for a pay period is transmitted, the person doing the transmission merely hangs up the receiver, thereby indicating his items are ready for processing. [123]

There are a number of safeguards built into the system.

Answer back tones are used to allow the transmitting party to determine whether or not he or she has transmitted valid information. Information which is incorrectly formatted is automatically rejected by the system. If the person doing the transmitting experiences difficulties or needs assistance, a receiving center operator at the computer center can be reached by merely pressing the asterisk (*) button on the telephone. [124]

The TPS computer system is capable of handling 50 to 100 data card transmissions in less than an hour. Upon the completion of an activity's transmissions, the computer automatically calculates and prints employee paychecks and payroll reports, which are then packaged and forwarded to the activity via express mail. Payroll reports which are automatically issued to each activity include:

1. Each Pay Period

- a. Transaction Audit - when applicable
- b. File Changes applied this pay period
- c. Sick and Annual Corrections - when applicable
- d. Time Card Balance
- e. Touch-Pay Payroll Summary
- f. Payroll Register
- g. MCAS/RCAS Audit Reports
- h. MCAS/RCAS Payroll Summary
- i. Sick and Annual Leave Reports
- j. Master File Listing

2. Each Quarter

- a. Controllers Report (pro-forma federal and state tax returns)
- b. Individual Employee Earning Records
- c. BUPERS Quarterly Retirement Report
- d. BUPERS Quarterly Life and Hospital Insurance Reports

3. At Year-End

- a. Pre-enveloped and "Franked" W-2's for mailing
- b. W-2 Master Listings
- c. Special Automatic Adjustment Run for Sick and Annual Leave Accrual [125]

Examples of some of the above listed reports are provided in Appendix H.


Two reports which are deserving of special mention are the MCAS and RCAS Payroll Summaries. The MCAS and RCAS Payroll Summaries which are provided by TPS are facsimile reports of the BUPERS Forms 2216 (Exhibit II-19) and 2141 (Exhibit II-26) which must be respectively submitted by MCAS and RCAS activities to NAFAS following each pay period. These facsimile reports allow field activity bookkeepers to conveniently transcribe Payroll Summary information on to the required BUPERS forms for forwarding to NAFAS. [126]

The administrative requirements which are levied on TPS users are designed to be minimal, involving the use of a few simple forms on an "as required" basis. The most prominent and commonly used form is the Employee Information Sheet (Exhibit II-58) which must be submitted to TPS for each activity employee upon newly converting to the TPS system, whenever new personnel are hired and, as indicated on the form itself, whenever changes occur to the information contained in blocks 9 through 39. Other simple forms are used to notify TPS of voided checks, handwritten checks, stop payments, and payroll adjustments for sick and annual leave. [127]

The lack of administration associated with TPS is partially explained and somewhat offset by the fact that the system utilizes a series of non-standard transmission routines (e.g., over and above the standard transmission routine which was previously cited) for the purposes of conducting a significant amount of payroll administration. Although these transmission routines are clearly delineated in the Touch Pay Systems Users Manual, there is a definite "learning-curve" associated with their use. For that matter, the TPS as a whole involves start-up costs in terms of training and user acclimation during its initial stages of implementation. Accordingly, field activities are provided with three days of on-site training upon converting to the system. [128]

NAFI - ACTIVITIES

8/31/77

 Touch-Pay Systems			Employee Information Sheet							
1 CLIENT NO 9	2 DIV NO	3 COMPANY NAME	4A CONV	4B NEW	4C CHANGE	4D	DATE			

Hourly Plastic Card Data									
5 EMPLOYER NUMBER		6 MAR STATUS	7 EXEMPTIONS	8 PAY CODE	9 RATE OF PAY				
				1 0					

1 = SINGLE 2 = MARRIED 3 = HEAD OF HOUSEHOLD

Mail Form to Touch Pay if Anything Entered Below Solid Line

9 NAME FI MI										
10 STREET ADDRESS										
11 CITY & STATE										
12 ZIP CODE										
13 BIRTH DATE M D Y	14 SEX M F	15 SOCIAL SECURITY NO								
16 HOME DATE M D Y	17 STATE CODE	18 SHIFT DIFF	19 HOME DEPT	20 EMP CLS						
21 CITY TAX CODE	22 PAY TAX STATUS	23 FED W/M ACT	24 STATE W/M ACT	25 ACAU A C	26 RETIRE Y N					

Action Flag Information

27 VA OR CT	28 CURRENT STEP	29 START DATE (CURRENT STEP)	30 DATE LAST PAY EXAM
31 DATE LAST WORK EVAL	32 NO WEEKS CURRENT STEP	33 NO DAYS CURRENT STEP	34 INTERMITTENTS CAT FOR H ONLY

Permanent Voluntary Deductions (See Client Information Sheet)

ENTER THOSE AMOUNTS WHICH ARE TO BE DEDUCTED AUTOMATICALLY FROM EMPLOYEE'S PAYCHECK

35 ADVANCE	36 HOSPINS	37 CRP LIFE	38	39
40	41 RETIRE	42 RPNAB	43	44

7-1877

In addition to providing a cash control element and reductions in field activity accounting and bookkeeping, TPS also provides the following improvements in payroll accounting from a headquarter's standpoint:

1. Provides for the central collection of employee benefits, which are deducted from the concentration bank accounts.

2. Automatic deductions are made for FICA, FUTA, and Federal and State Income Tax withholdings.

3. Is programmed to conform to Public Law 93932 and DOD wage policy guidelines.

4. Is designed to provide standardized payroll procedures for NAF employees on a Navy-wide basis. [129]

As of this writing, 417 activities are currently participating in the "Touch Pay" payroll accounting system, with additional installations scheduled for the future. According to NAFAS management personnel, user complaints concerning the operation of TPS have been negligible and primarily limited to field activities who were already using local computer systems for payroll accounting when directed to convert to TPS. However, a formal survey has not as yet been undertaken. [130]

E. THE FIELD ACTIVITY OPERATING ENVIRONMENT

Since the ultimate purpose of this study is to objectively assess the overall performance of NAFAS from the standpoint of field activity managers, a general overview of the operating environment and organizational context in which field activity management perspectives are developed is considered necessary. The need for such an overview arises from the fact that field

managers typically operate in a frequently changing, multi-faceted environment in which their preoccupation with centralized accounting, banking, and payroll procedures is only one among many other highly placed priorities which govern the management and operation of their activities. Field activity managers are concurrently preoccupied with the following:

1. Satisfying local command priorities and policies.
2. Satisfying the changing needs and preferences of a highly diverse and transient military population.
3. Maintaining tradition.
4. Competing with local commercial enterprises which offer similar services.
5. Responding to changing economic conditions due to cyclical changes in the earning power of military customers, the availability of Federally appropriated funds, and frequent shifts in Navy-wide MWR policies as a result of ongoing Congressional oversight.

As previously depicted in Exhibit II-5, managers are directly accountable to local base/installation commanders in providing mess and recreation services to local military patrons. The local commanding officer (CO) can hire/fire mess and recreation employees, dictate hours of operation for base facilities, dress standards, membership/guest criteria, price structure for services rendered, entertainment choices, and, as previously discussed, delineate package store profit distribution policies. However, the actual involvement of base CO's in the details of club and recreation policies and operations is likely to vary from one commanding officer to the next, depending on their personal desire to become intimately

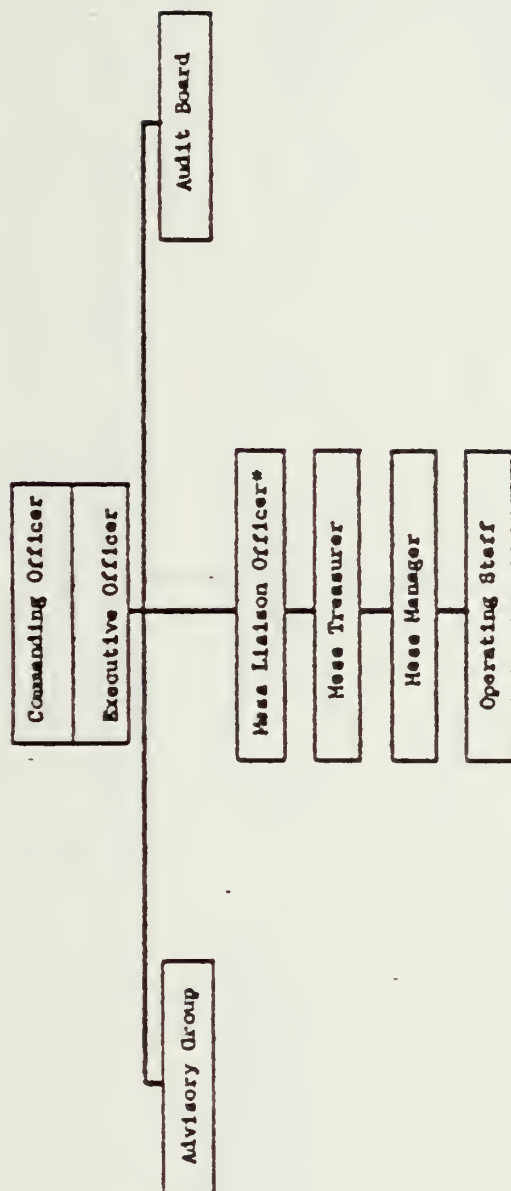
involved and the number of other high priority matters which routinely compete for their management time and attention. [131]

To ensure that both base CO's and managers are responsive to the needs of their military patrons, the establishment of local advisory groups and audit boards is mandated in the Navy's Manual for Messes Ashore (for Messes, CPS's, and BOQ's) and Special Services Manual (Recreation Fund Activities). Exhibits II-59 and II-60 illustrate the typical relationship between the CO, the field activity manager, and local advisory groups.

Appointments to local command Advisory Groups are non-permanent in nature and members of these groups are not allowed to receive financial remuneration in the form of cash, goods, or services from local MWR activities. In the case of military personnel, Advisory Group responsibilities are viewed as collateral duties which are to be performed in addition to their primary duties at the Naval base or installation. [132] Local MWR field activity managers must be responsive to the recommendations and priorities of local Advisory Groups in addition to the programs and policies which are specifically initiated by the base commanders. Inasmuch as local advisory groups are non-permanent in nature, program emphasis and priorities are likely to vary over the long run due to the changing composition and varying interests of individual group members.

Although field activity managers are organizationally accountable to the local base CO and the appointed Advisory

SOURCE: MANUAL FOR MESSES ASHORE



*Optional.

Exhibit II-59.
TYPICAL ORGANIZATION CHART FOR NAVY MESSES

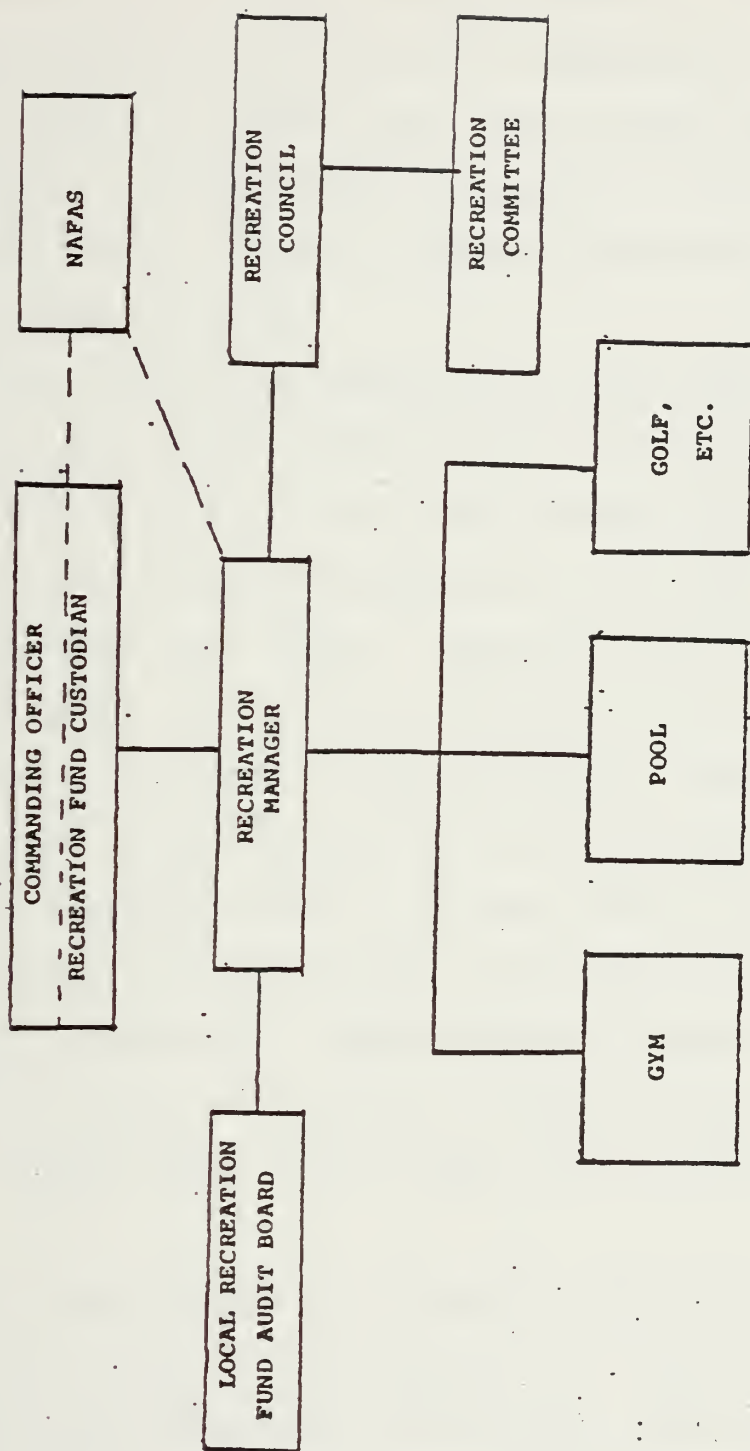


Exhibit II-60.
TYPICAL ORGANIZATION CHART FOR NAVY RECREATION FUND ACTIVITIES

Groups, they are ultimately accountable to and dependent upon their good standing with local military patrons. Each field activity manager must be concerned with suggestions offered by customers as to ways to improve upon the services which are provided. However, accommodating the needs and preferences of all individuals rapidly becomes a physical impossibility and is necessarily discretionary.

Navy Mess and Recreation Managers are challenged by the need to provide good service and maintain high standing within their patron base. This is true of Navy Messes which, in most instances, operate in direct competition with commercial restaurants and fast food chains. However, unlike their commercial competitors, they are not allowed to specialize in a particular food or service. Instead, they are required to fulfill the needs and preferences of all individuals to the maximum extent possible, which is no easy task in light of the widely varying ages, backgrounds, and cultural preferences of their target population. Despite known economic disadvantages, this philosophy and method of doing business is steeped in military tradition and is not likely to change any time soon. [133]

An equally unprofitable but intensely traditional aspect of Navy Messes is that of rank segregation. Separate Messes are established and maintained for Officers, Chief Petty Officers, and junior enlisted personnel at many Navy shore installations even though local patronage of Messes may not

economically justify the existence of separate facilities. During Hearings before the House Nonappropriated Fund Panel of the House Armed Services Committee (HASC) in 1979, the GAO recommended to the Congress that small, unprofitable Messes be consolidated into single "all ranks" Messes. [134] This recommendation was based on a 1978 study which was conducted by the GAO at selected installations of the four armed services. This same study revealed that, while enlisted personnel favored "all ranks" clubs over less favorable alternatives as increased food and drink prices and membership dues, officers were willing, if need be, to pay higher prices or membership dues to continue the tradition of rank segregation. [135]

The segregation of ranks is a time-honored tradition which has been perpetuated in basic officer training. From the beginning of their formal training, officer candidates are advised not to fraternize with their subordinates during off duty hours in order to ensure the maintenance of good order and discipline while on duty. Additionally, officers earn higher incomes than enlisted personnel in each successive paygrade and therefore can more readily afford an increase in Mess prices or the implementation of membership dues if needed to defray the costs of Mess operations.

During the 1979 hearings before the HASC, Navy officials noted that 55 percent of all Navy Messes (169 of the 311 messes then in operation) would have been unprofitable had

they not received subsidies from local CPS profit distributions. Even with the assistance of package store subsidies, 26 percent (83) Messes were unprofitable. [136] Reasons cited for the unprofitability of Navy Messes were as follows:

There are many and varied reasons which cause a mess to become unprofitable - fleet movements, unexpected lack of patron response to a special event sponsored by the mess, labor expenses escalating out of proportion to the volume of business, failure to apply timely price increases to offset increased cost of goods and services, unprogrammed expenditure requirements for equipment/improvements, and sometimes the ineffectiveness of the manager to adhere to prescribed internal controls. [137]

While all of the aforementioned reasons for the unprofitability of Navy Messes are undoubtedly legitimate, other critical factors were omitted from the above testimony. Foremost among these is the fact that, beginning in 1975, Navy Messes and other MWR field activities were directed to substitute civilian employees into positions formerly held by military personnel due to military personnel ceilings which were recommended by the GAO and mandated by Congress. The substitution of civilians for military personnel was tantamount to reducing appropriated fund support for Navy Messes and increasing nonappropriated fund support for them. [138]

In addition to the imposition of military personnel ceilings, both the GAO and Congress have placed increased pressure on the Navy to make military Messes even more self-sustaining in their operations by discouraging the use of CPS profits to subsidize Messes. [139] As a result, beginning in FY 1983, Navy Messes will no longer be eligible to receive

direct subsidies from their local CPSs. [140] Congressional interest in reducing CPS subsidies to Navy Messes is predicated on the belief that CPS profits should be used for General Welfare and Recreation (Category III) programs which would, in turn, reduce the amount of appropriated funds that would have to be spent for them. Emphasis on reducing CPS subsidies have been largely influenced by the GAO which, during 1979 hearings before the HASC, predicated its recommendations largely on the low frequency of patronage and apparent lack of usefulness of Navy Messes to military personnel.

Whereas Navy Mess Managers were once able to attract military customers as a result of their ability to provide price breaks on food and drinks, the implementation of military personnel ceilings and gradual removal of CPS subsidies has all but decimated the competitive edge that they once enjoyed over their commercial counterparts. [141] Similarly, other MWR field activity managers (particularly Recreation Fund Activity Managers) have been placed in the unenviable position of having to contend with reductions in appropriated fund support which has led to increases in the prices which they must charge to their military customers or reductions in services.

In addition to coping with the uncertainties of Congressional policies and funding, MWR Field Activity Managers must, in certain situations, respond to other circumstances which are beyond their immediate control. For example, status

of forces agreements with some foreign countries preclude the firing of foreign nationals even though a reduction in personnel is needed as a result of declining local patronage. Managers must also respond to reductions in their patron population as a result of base or facility closures (e.g., the cyclical opening and closing of the Naval Base in Long Beach, California). Lastly, managers (particularly Mess Managers) must be especially sensitive to needs of retired military personnel in areas where a large portion of their patron base is constituted by retirees. [142]

Although a series of other statements could readily be made concerning the many management variables and challenges which confront MWR Field Activity Managers, they are not necessary for the purposes of this study. The preceding paragraphs are deemed sufficient in providing a general appreciation for the multiplicity of environmental and organizational factors which mold the perspectives of Field Activity Managers. The primary points which should have been gleaned from this section are:

1. In addition to fulfilling their accounting responsibilities on behalf of NAFAS, field activity managers are variously preoccupied with satisfying the performance standards demanded of them by their local commanders, local Advisory Groups, local audit boards, active duty and retired military patrons, the Naval Audit Service, NMPC-65, GAO, and ultimately the Congress.

2. The perspectives of field activity managers differ significantly from those of NAFAS management personnel. Whereas NAFAS personnel view centralized accounting, banking, and payroll practices from a global or "systems" perspective, field activity managers view them as one among many other operational and administrative requirements which are levied

upon them by higher authority. Furthermore, field activity managers are, out of necessity, much more concerned with the attainment of local objectives rather than the overall betterment of the Navy's NAF posture as a whole.

3. When compared to the internal operations of various field activities, the internal operations within NAFAS are much more structured, repetitive, and less overcome by a diversity of human and other unpredictable variables.

F. CHAPTER SUMMARY

The primary objectives of this chapter have been:

1. To descriptively review and identify the basis for the currently existing accounting, banking, and payroll services provided by NAFAS.

2. To examine the criteria upon which NAFAS presently measures and draws conclusions about its own performance.

3. To briefly describe the typical financial and working environment of field activity managers.

The purpose of pursuing the above objectives has been to prepare the reader for an analysis which is undertaken in the following chapter to determine the relative satisfaction or dissatisfaction which field activity managers have for various aspects of the centralized accounting, banking, and payroll services which are provided by NAFAS. In support of the ensuing analysis, it is considered necessary to first introduce the reader to the multiple goals and mission of NAFAS. In so doing, the author illustrated where and how NAFAS functions as a subset of the larger MWR, NAF flow, and investment policies of the Navy. The perceived need to conceptually place NAFAS within the larger context of Navy MWR programs and the NAF flow process was driven by the following:

1. In analyzing the relative satisfaction and/or dissatisfaction which field activity managers have for the mechanics of the centralized accounting, banking, and payroll services which are provided by NAFAS, it must be recognized that these services are provided on a concomitant basis with the overriding need and desire to centrally collect, invest, and redistribute Navy NAFs in order to improve the Navy's NAF posture as a whole and to ensure that equitable MWR services are made available to all Navy members.

2. In undertaking the analysis, the author was cautioned by the Director of NAFAS that difficulties might be encountered in distinguishing between the grievances that field activity managers might have for the specific services which are provided by NAFAS and the more general frustrations which they might have for existing Navy MWR policies as a whole. For example, the recent decision to centrally collect all CPS profit distributions is known to be widely unpopular among Navy Mess Managers, particularly those whose Messes are co-located with profitable package stores. [Ref. 143] Concurring with this observation, the author found it necessary to describe the broader MWR policies of the Navy in addition to the details of centralized accounting, banking, and payroll procedures in order to provide a backdrop for segregating NAFAS-related problems (if existing) from the grievances which field managers might share for Navy-wide MWR policies in general.

A considerable portion of this chapter was dedicated to discussing the details of centralized accounting, banking, and payroll procedures, including source document submission by field activity personnel and internal operations within NAFAS. The objectives of this discussion were to:

1. Provide the reader with an appreciation for the administrative and procedural demands which are levied on field activity managers and bookkeepers in support of the centralized accounting, banking, and payroll systems that are operated and/or sponsored by NAFAS.

2. Describe the financial management and accounting information which field activity personnel receive in return for their administrative efforts.

3. Develop an appreciation for the scope of operations within NAFAS by describing the duties and responsibilities of each functional department, the production volume in which NAFAS deals, and the procedures which NAFAS employs in ensuring that quality and timely services are provided to field activity subscribers of the centralized accounting, banking, and payroll systems.

A comprehensive discussion of the foregoing areas was prompted by the fact that, in the following chapter, the author's analysis delves into the specifics of centralized accounting, banking, and payroll procedures and, in all probability, could not be fully understood in the absence of substantial background information. Impetus for describing

the scope of operations within NAFAS evolved from the fact that the author's ensuing analysis is based on a worldwide survey in which field managers were allowed to comment on any and all problems which they are currently experiencing with the centralized accounting, banking, and payroll services provided by NAFAS. In fairness to NAFAS, it is believed that the reader should be familiarized with the production volume for which NAFAS is responsible, the limited number of personnel (e.g., less than 50 people) that NAFAS employs, and the variety of internal safeguards and management practices (e.g., stringent source data verification requirements and internal review of all outgoing financial statements) which NAFAS already conscientiously exercises in attempting to prevent errors, reduce delays, and achieve high customer satisfaction with centralized accounting, banking, and payroll services.

A brief discussion of the Touch-PAY payroll accounting system was separately undertaken in this chapter to provide the reader with sufficient background information in the operation of the system so that questions and issues related to payroll accounting could be addressed in the following chapter. As previously mentioned, NAFAS does not directly provide centralized payroll services to MWR-field activities. Instead, it sponsors the Tough Pay System (TPS), coordinates new installations, and provides technical and training guidance on behalf of participating field activities. Because of

NAFAS's detached role in the physical operation of payroll accounting, an analysis of TPS was not originally included in the objectives of this study. However, it evolved as a corollary to the central theme of accounting and banking when, during the course of research, the author decided to expand the scope of this thesis to include all centralized systems which are either operated or sponsored by NAFAS.

The chapter was concluded with a brief overview of the dynamic and multi-faceted environment in which field activity perspectives are molded. The primary motive for this section was to reinforce the fact that field managers maintain a "dotted-line" relationship with NAFAS and are ultimately accountable to their local commanders, advisory groups, audit boards, and military patrons in the management and operation of their activities. Another highly important objective of this section was to emphasize the fact that field activity managers are both confronted and preoccupied with a sizeable set of variables (e.g., Navy-wide policy changes, locale, command priorities, and patrol preferences) in the running of their facilities. Out of necessity, their view of world needs and administrative priorities are not the same as those of NAFAS nor are they necessarily homogeneous from one activity to the next.

In objectively assessing the overall performance of NAFAS from the perspective of field activity managers, environmental factors must be taken into consideration. Isolated problems and/or those which are unique to particular types

of activities (e.g., overseas activities) must be differentiated between problems which appear to apply to all activities in general.

III. THE ANALYSIS

A. FRAMEWORK FOR ANALYSIS

The thesis objectives that were outlined in Chapter I of this study evolved from two differing views of the relative efficiency and effectiveness of the centralized accounting and banking services which are operated and maintained by NAFAS. As evidenced by Exhibits III-1 and III-2, written and oral comments by headquarter's level officials have lauded the many advances in centralized accounting, banking, and payroll systems over the past several years. Exhibit III-1 was originated by the Director, NMPC-65. Exhibit III-2 was directly extracted from Congressional testimony during hearings before the Nonappropriated Fund (NAF) Panel of the House Armed Services Committee in October 1979. [144] In this passage, Mr. Dave Cosco (NMPC-65) and Rear Admiral Fran McKee (Assistant Deputy Chief of Naval Operations) were responding to questions which were being posed by Congressman Dan Daniel (Virginia) and Williston B. Cofer (professional staff member).

Common to Exhibits III-1 and III-2 are that the centralized accounting and banking services which are provided by NAFAS have contributed to reductions in personnel workloading in bookkeeping and accounting at the field activity level. Conflictingly, these and other laudatory comments put forth by headquarter's level officials stood in stark contrast to



DEPARTMENT OF THE NAVY
NAVAL MILITARY PERSONNEL COMMAND
WASHINGTON, D.C. 20370

IN REPLY REFER TO

04 OCT 1980

From: Director, Recreational Services Division
To: Head, Nonappropriated Fund Accounting System Section

Subj: Sustained Superior Performance of the Nonappropriated Fund Accounting System Section

1. During the period 1977 to 1980, the Nonappropriated Fund Accounting System Section (NAFAS) has had a record of exceptional performance deserving of special recognition. The following achievements are examples of that performance record:

- a. In August 1977, the Nonappropriated Fund Accounting System Section was reorganized. The Mess Central Accounting Unit and the Recreation Accounting Unit, which had been separate entities to this time, were disbanded and replaced by the NAFAS Field Accounting and Banking Services Unit and the Production Systems Unit.
- b. Also in 1977, the transfer of EM Clubs from NAVRESSO to SUPERS caused NAFAS to provide accounting and banking support to approximately 120 additional field activities. This additional support was achieved smoothly without the requirement for additional staff.
- c. In July of 1977, the Operational Performance Information System and the Fund Solvency System were implemented to provide NAFAS users with expanded financial information for the purpose of identifying potential problems for management review.
- d. In October of 1977, NAFAS implemented a new automated cash transfer system for MESS/CPS and Billeting Funds. In 1979 this system was implemented for Recreation Funds. This more rapid cash transfer system provided an additional \$8 million into the investment portfolio. Concurrent with this new system, NAFAS took the responsibility for reconciling approximately 600 local bank accounts monthly. Prior to the achievement of this objective, forty percent of these accounts were never reconciled locally. In addition to providing a much needed cash control element, the workload of field bookkeepers was significantly reduced.
- e. In 1978, NAFAS implemented a modified Mess Central Accounting System (MCAS). This modification provided greater flexibility and more meaningful financial information to the system's users. The calculation and presentation of an "Acid Test" ratio as measured against the target "Acid Test" ratio was implemented as an added element of this MCAS modification. Additionally, this modification provided processing efficiencies allowing a more rapid preparation of financial statements which in turn could be utilized more effectively by management.

Exhibit III-1. Letter Citing Sustained Superior Performance of the Nonappropriated Fund Accounting System Section

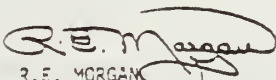
f. Also in 1978, NAFAS implemented an automatic cash transfer system which is utilized to collect loan repayments and sales assessments, and to fund grants and loans to activities without the necessity of preparing individual checks locally or centrally. This system also enhances cash control in that it has removed the necessity for mailing over 600 negotiable cash instruments in the mails each month. Furthermore, this system reduced the field bookkeeping workload significantly.

g. In October 1979, NAFAS moved to reduce FY80 operating costs to the FY79 level, despite mounting inflation. This exercise included a review of local activity bank balances which resulted in the transfer of an additional \$1 million into the Central Fund investment portfolio.

h. Also in 1979, NAFAS was tasked with responsibility of implementing an automated bank reconciliation for the Touch Pay System payroll bank account. This system, implemented in February 1980, is achieving a much desired cash control element and was accomplished without additional staff. At this time, NAFAS assumed responsibility for coordination of all Touch Pay System payroll matters. The system, which serves 20,000 employees, was transferred from RSRSO Treasure Island and NAFAS assumed this responsibility without establishment of additional staff.

2. From 1977 to present, the NAFAS has achieved a monetary recurring savings of almost \$1 million which continues to accrue to the benefit of the Navy community each year. The NAFAS has also achieved a significant expansion of its support mission over the years that has resulted in more meaningful and broader financial management information for individual NAFL activity managers and the chain of command. Perhaps, of equal value are the elements of achievement that significantly reduced the workload of field bookkeeping staffs. Due to the above achievement and its day-to-day professional contacts with the field, NAFAS has brought about a much improved level of credibility.

3. The NAFAS has made a contribution that has enhanced the quality of life in the Navy and will continue to do so in years to come. This record of sustained superior performance could not have been accomplished without exceptional performance of every member of the NAFAS Staff. This performance has reflected great credit upon the Recreational Services Division and is in keeping with the highest traditions of the United States Navy.


R.E. MORGAN
Captain, SC, U.S. Navy

....
costs. In my judgment, they are more efficient as a result of being consolidated on the station, with the effect that they may be greater than they were under the previous system.

Mr. DAN DANIEL. I believe that you all were here this morning. You heard the remark with respect to the high administrative cost in the Air Force.

Will you explain how administrative costs, such as accounting and personnel services, are handled by the Navy?

Admiral McKee. If I may, sir, I'd like to defer to Mr. Cosco, who is intimately involved in accounting procedures for our system.

Mr. DAN DANIEL. Mr. Cosco?

Mr. Cosco. Yes, sir.

All accounting for Navy clubs and package stores is centralized, and it is centralized under the Chief of Naval Personnel. Each activity prepares summary source accounting documents on a daily basis, and submits them to our Central Accounting Office, located at the Naval Air Station at Patuxent River, Md. That office keeps the detailed general ledgers for all of the clubs and package stores Navy-wide and produces monthly financial statements and management information reports on a monthly basis.

In terms of personnel services, activities at the local level do most of their own personnel work, in terms of rating, position descriptions, keeping personnel records, and other personnel actions.

We have over the last 2 years centralized the payroll function for most of our messes. By the end of fiscal 1980 over 70 percent of the employees in clubs, package stores, and recreation activities will be paid by our central payroll system. We have, therefore, on a systematic basis, removed much of the local effort in bookkeeping from that level to a higher level, and I think we have experienced economies in terms of cost of providing payroll services.

Mr. DAN DANIEL. Has that created any problems in the chain of command, the degree of centralization which you've described?

Mr. Cosco. In general, no, sir, Mr. Chairman.

Mr. DAN DANIEL. And it hasn't been the feeling on the part of the local commanders that these functions have been taken away from them and given to somebody else, and that they should probably be done at that level?

Mr. Cosco. No, sir, Mr. Chairman. By and large, I think they've applauded it, since it permits their local employees to perform other functions, and some of the functions we've removed are fairly complicated; specifically, the payroll function is complicated. So I think that generally they have not objected to the removal of that function. In fact, they've reacted favorably.

Mr. DAN DANIEL. Mr. Cofer, do you have any followup questions?

Mr. Cofer. Yes, sir.

It is my understanding from my limited knowledge of the Navy that these overhead costs are provided basically free to your clubs. It is my understanding that clubs that have investment moneys in your program retain only the principal, that the interest is retained and is spread to pay for these services.

Is that true?

Mr. Cosco. Yes, sir.

opinions expressed by the author's fellow students at the Naval Postgraduate School who, based on their prior experiences with NAF accounting and banking procedures, verbally alleged that:

1. Centralized accounting and banking procedures cause duplicate accounting and bookkeeping to be performed by field activity personnel due to unacceptable time delays which occur between the activity's submission of accounting source documents at the end of each month and the physical receipt of monthly financial statements from NAFAS. Field activity managers cannot afford to wait until the middle or end of each month to determine how their activity performed during the preceding accounting month, particularly when they are required to brief their immediate superiors on the financial status of their activity immediately following the end of each accounting month. Accordingly, they find it necessary to parallel the efforts of the Nonappropriated Fund Accounting System Section (NAFAS) by preparing their own "in-house" accounting reports and financial analyses in order to keep closely abreast of developing trends within their activity and to satisfy the information requirements of their superiors.

2. Because of their requirements to locally prepare "in-house" facsimiles of NAFAS accounting reports, field activity managers derive little or no practical value from the monthly financial statements which are provided to them.

The financial statements which are prepared by NAFAS provide little in the way of new or enlightened financial management information.

3. Centralized accounting and banking procedures are especially frustrating to overseas activities due to mail delays and/or to activities which are not conveniently located near a local banking facility.

4. When occurring, errors in the Mess Central Accounting System (MCAS) and Recreation Central Accounting System (RCAS) statements take a long time to correct (e.g., several accounting periods).

5. Because of inadequate training support and technical documentation, many local commanders and field activity managers do not fully understand nor make use of all of the financial management information which is provided to them by NAFAS on a monthly basis. This is especially true of the comparative analysis section of the MCAS operating statements.

Exhibit III-1 was provided to the author by the Director of NAFAS who, when subsequently queried, candidly admitted that no known, formal field survey had ever been conducted to statistically support many of the positive claims which had been made concerning centralized accounting and banking procedures, including those related to reductions in work-loading at the field activity level. The Director further agreed that a formal, worldwide field survey might prove valuable in determining the extent to which problems such

as those identified by the author's classmates exist among the 695 participating activities of the MCAS and RCAS.

Following substantial research, the questionnaire shown in Exhibit III-3 was constructed by the author with the assistance of the Director of NAFAS, fellow students, and the Recreation Director of the Naval Postgraduate School. It was then forwarded to all 695 participants of the MCAS and RCAS for the expressed purpose of justifying, to the maximum extent possible, the positive or negative impact which currently existing NAF accounting, banking, and payroll (which was added to the survey) systems have actually had on field activity managers and bookkeepers.

The questions posed in the author's questionnaire were selected from a much larger pool of questions and were specifically designed to assist in assessing both the efficiency and effectiveness of centralized accounting, banking, and payroll procedures from the perspective of field activity managers. In assessing efficiency, timeliness and accuracy were considered to be the most important measurements based on the author's readings of several management texts. Accordingly, questions one, two, and eight specifically address these elements. All other questions contained in Exhibit III-3 are directly keyed to:

1. Assessing the effectiveness with which the financial management information and guidance provided by NAFAS have assisted field activity managers in planning and managing

Questionnaire

ACTIVITY DATA

1. Name/Location of Reporting Activity: _____
2. Name of Activity Manager: _____
3. Rank/GS Rating of Activity Manager: _____
4. Phone Nr: Autovon: _____ Commercial: _____
5. Number of Years You Have served as Activity Manager: _____
6. Summary of Your Previous Educational and Professional Training Experiences in Financial Management: (e.g. degrees, formal training and previous assignments)
7. Do you desire a summary of the results of this survey? Yes ___ No ___

SURVEY QUESTIONS

1. a. On the average, within how many days following the end of each accounting period are accounting source documents placed into the mail for forwarding to NAFAS? _____ DAYS
b. What are the primary causes for delays in the mailing of accounting source documents? (please briefly comment)
2. On the average, how many days following the end of each accounting period does it take for MCAS/RCAS accounting reports to reach you activity? _____ DAYS
3. a. Are you required to meet with you Commanding Officer or immediate superior following the end of each accounting period to report the financial status of you activity? (circle one)
a. Yes
b. No

Enclosure (1)

Exhibit III-3. Questionnaire

- b. If yes, approximately how soon after the end of the accounting period do these meetings take place? _____ DAYS
- c. If not after the end of each accounting period, please state how frequently you meet with your Commanding Officer or immediate superior to discuss the financial status of your activity:

-
4. To what extent have delays in the receipt of MCAS/RCAS reports diminished their usefulness as a financial management tool? (circle one)
- a. Reports are extremely useful despite delays.
 - b. Usefulness of reports is partially diminished.
 - c. Usefulness of reports is greatly diminished.
 - d. Reports are rendered totally useless.

Please Briefly Amplify:

-
5. Do delays in the receipt of MCAS/RCAS printouts necessitate additional accounting/bookkeeping efforts which could be eliminated by their more timely delivery? (circle one)
- a. Yes
 - b. No

Please Briefly Amplify:

-
6. To the best of your knowledge, has MCAS/RCAS reduced the administrative requirements for financial bookkeeping within your activity? (circle one)
- a. Has greatly reduced previously existing bookkeeping requirements. (by 25% or greater)
 - b. Has partially reduced previous bookkeeping requirements. (by less than 25%)
 - c. No visible change from previous requirements.
 - d. Has increased bookkeeping requirements.
 - e. Cannot state with certainty the effects which MCAS/RCAS have had on bookkeeping requirements.

-
7. a. Has the implementation of MCAS/RCAS reduced the number of personnel assigned to accounting functions at your activity? (circle one)
- a. Yes
 - b. No
 - c. Not sure

Exhibit III-3. (cont'd)

- b. If yes, approximately how many man-hours per day or billets have been eliminated? _____ MAN-HOURS
_____ BILLETS
-

8. a. Are MCAS/RCAS accounting reports accurate? (circle one)
a. Virtually no errors.
b. Occasional errors.
c. Frequent errors.

- b. To what would you attribute the most common cause for errors?
-

9. To what extent do MCAS/RCAS printouts assist you in the financial planning and management of you activity? (circle one)
a. Information provided is highly practical and useful in planning and managing the finances of this activity.
b. Information provided is of limited practical value in planning and managing the finances of this activity.
c. Information provided is of little or no practical value in planning and managing the finances of this activity.

Please Briefly Amplify:

10. Which MCAS/RCAS reports or sections thereof do you consider to be the least worthwhile? (Please comment. If all are worthwhile, so state.)
-

11. a. Are the Fund Solvency Section of the MCAS Balance Sheet and Comparative Analysis Section of the Operations Statement useful management tools? (MCAS participants only)(circle one)
a. Yes
b. No

- b. Briefly state why or why not:
-

12. a. Do you consider the self sufficiency information provided by RCAS to be a useful financial management tool? (Recreation managers only) (circle one) a. Yes
b. No

Exhibit III-3. (cont'd)

b. Briefly state why or why not:

13. Excluding delays in the receipt of MCAS/RCAS reports, what are your 2 greatest frustrations with respect to the Centralized Accounting System in which you are currently participating?

1.

2.

14. a. Have the centralized/concentration banking services currently coordinated by NAFAS reduced administrative workloading at your activity? (circle one)
a. Yes, workloading has been reduced.
b. No significant change in workloading.
c. There has been an increase in administrative workloading.
d. Not sure.

b. If yes, by approximately what percentage amount? _____%

c. If yes, please cite some of the improvements which have been made:

15. Prior to the implementation of centralized banking procedures, how frequently were local bank accounts reconciled at your activity? (circle one)
a. Monthly
b. Less often than monthly
c. Never
d. Not sure

16. From your perspective, what are the greatest deficiencies and/or frustrations associated with centralized banking procedures? (please comment)

Exhibit III-3. (cont'd)

17. If the "Touch Pay" payroll system is installed at your activity, to what extent has it eased the clerical burdens of payroll accounting?

- a. Has greatly reduced the clerical burdens associated with payroll accounting. (25% or greater)
- b. Has slightly reduced the clerical burdens of payroll accounting. (less than 25%)
- c. Has increased the clerical burdens of payroll accounting.
- d. Not sure.

18. Would you agree that the "Touch Pay" system has greatly reduced accounting efforts previously associated with year-end W-4 form preparation? (circle one)

- a. Yes
- b. No
- c. Not sure

19. Has the "Touch Pay" system significantly reduced the accounting and administrative problems formerly experienced in complying with Public Law 92392 and DOD wage policy guidelines? (circle one)

- a. Yes
- b. No
- c. Not sure

20. From your perspective, what are the greatest deficiencies and frustrations associated with "Touch Pay" payroll accounting? (Please comment. If no deficiencies, so state.)

21. Do you consider training support and technical documentation (e.g. formal/informal courses and assist visits, training manuals, instructions, notices etc.) provided by NAFAS and NAVCOMPT to be fully adequate with respect to centralized accounting, banking, and payroll procedures? (circle one)

- a. Yes
- b. No

If no, briefly comment as to why they are not fully adequate:

Exhibit III-3. (cont'd)

-
22. a. From you perspective as a field activity manager, to what extent have the centralized accounting, banking, and payroll services provided by NAFAS contributed to or detracted from management flexibility within your activity? (circle one)
- a. NAFAS services have significantly contributed to management flexibility.
 - b. Management flexibility has slightly increased.
 - c. Management flexibility has been slightly reduced.
 - d. Management flexibility has been greatly reduced.
- b. In what specific ways has management flexibility been altered? (Please Comment)
- c. Do you believe that you would be better off if decentralized accounting, banking, or payroll services were reinstituted at you command? (please explicitly comment)

-
23. Objectively and candidly speaking, to what extent do you consider yourself to be technically knowledgeable in the following areas:
- a. The overall mission and multiple goals of NAFAS? (circle one)
- a. Thoroughly knowledgeable.
 - b. Fairly knowledgeable.
 - c. Vaguely familiar.
 - d. Quite frankly, my knowledge of NAFAS is limited to a general familiarity with only those services that NAFAS specifically performs on behalf of this activity.
- b. The philosophy behind and dollar benefits derived from concentration banking procedures? (circle one)
- a. Thoroughly knowledgeable.
 - b. Fairly knowledgeable.
 - c. Vaguely familiar.
 - d. Frankly, my knowledge of the pros and cons of concentration banking services is quite limited.

Exhibit III-3. (cont'd)

23. (continued)

- c. The philosophy behind and financial basis for the Navy's Nonappropriated Fund Central Investment Portfolio?
(circle one)
- a. Thoroughly knowledgeable.
 - b. Fairly knowledgeable.
 - c. Vaguely familiar.
 - d. I know that the portfolio exists, but not much else about it.
 - e. I am both unaware of the existence of the portfolio and the financial basis for it.
-

24. To what extent did you participate in or consider yourself knowledgeable in the decentralized accounting, banking, and payroll procedures which existed prior their centralization by NAFAS? (Please Comment)

a. Accounting:

b. Banking:

c. Payroll:

25. How many personnel are currently assigned to the following functions within your activity?

a. Accounting: _____ PERSONNEL

b. Banking: _____ PERSONNEL

c. Payroll: _____ PERSONNEL

Does a single individual perform all or more than one of these functions? (Please Comment)

Exhibit III-3. (cont'd)

their operations. (Questions three, four, nine, eleven, twelve, twenty-one, and twenty-three.)

2. Assessing the effectiveness with which centralized accounting and banking services have contributed to reductions in personnel and administrative overhead at the field activity level. (Questions five, six, seven, and fourteen.)

3. Assessing the effectiveness of the "Touch Pay" payroll accounting system. (Questions seventeen, eighteen, and nineteen.)

4. Assessing the extent to which existing accounting, banking, and payroll procedures contribute to or exhibit management flexibility at the field activity level. (Question twenty-two.)

5. Providing a forum for the identification of any and all unforeseen problems which field activity managers might be experiencing in conjunction with centralized accounting, banking and payroll procedures. (Questions ten, thirteen, sixteen, twenty, and all other sections within the questionnaire for which provisions were made for narrative, amplifying remarks.)

The Activity Data Section of Exhibit III-3 and question twenty-four were consciously included in the author's questionnaire in an attempt to gain insights into the background and relative experience levels of those field activity managers who elected to participate in the author's survey.

Special concern was given to determining the number of

respondee who were either knowledgeable in or who had directly participated in the NAF accounting, banking, and payroll systems which were utilized prior to the implementation of currently existing systems by NAFAS.

Question fifteen is unique among the other questions which were posed by the author's survey. As explained in Section C of this chapter, it is used to highlight some of the methodological weaknesses that are inherent in any statistical survey of the magnitude undertaken by the author.

Subsequent sections of this chapter are exclusively dedicated to presenting and analyzing the data, information, and opinions which were expressed in field activity responses to the author's questionnaire. In Section B, data are presented for those questions in which field activity managers were asked to select between a limited number of pro forma responses that were made available to them by the author. In Section C, the data contained in Section B are subjected to a variety of analytical techniques, including quantitative, statistical methods. Lastly, in Section D, a subjective analysis is applied to field activity responses to free form questions which were posed by the author and the narrative, amplifying remarks sections of the formatted responses which were previously reviewed in Sections B and C.

B. DATA PRESENTATION

The purpose of this section is to aggregate and display field activity responses to pro forma questions in which

participating managers were forced to select between a limited number of answers that were provided by the author. A total of 217 persons representing 277 field activities participated in the survey. The 277 activities that were represented in the survey consisted of the following:

1. MCAS Activities

Navy Messes	112
Consolidated Package Stores (CPSs)	40
Bachelor Officers' Quarters (BOQs)	35
Central Accounting Offices (CAOs)	9
	<u>196</u>

2. RCAS Activities 81

Total MCAS and RCAS Activities	277
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Deriving the above totals was complicated by the following conditions:

1. At many installations, a single individual is responsible for managing more than one activity (e.g., two or more Messes), which contributed to the disparity between the number of individuals actually participating in the survey and the number of activities which were represented.

2. In other instances, local Department Heads at reporting installations elected to consolidate inputs from their subordinate MWR activity managers and submit a single response. Fortunately, the number and types of activities for which responses were being consolidated were, in all cases, summarized in the completed survey.

3. A total of nine central accounting offices (CAOs) participated in the survey. Again, central accounting office managers differentiated as to whether or not they were submitting a single response representing only their own views or a consolidated response representing the views of the activities for which they have accounting responsibility. In cases where only their own views were represented, one MCAS and one RCAS activity were credited to the above totals when answers were provided for both the MCAS and RCAS systems.

The data contained in this section are based on the number of activities which were represented in the survey and not the number of field activity managers who submitted responses on their behalf. For example, in instances where a single field activity manager provided responses on behalf of three activities under his or her cognizance (e.g., three Messes), the same response was recorded three separate times as if it had been submitted by three separate managers. This approach was necessitated by the fact that the statistical analysis which is undertaken in the following section of this chapter is based on the total population of all activities and not the number of field activity managers within the MCAS and RCAS systems.

Another observable feature of the data is that, whether by accident or through their own choosing, responding activities frequently completed most, but not all, of the questions that were posed in the survey. In some instances, the

responding individual consciously decided not to answer the questions by indicating "not applicable" on the questionnaire even though the question was highly applicable to his or her activity. For whatever the reasons, combined MCAS and RCAS responses to individual questions ranged from a high of 275 to a disappointing low of 137 (for question number twenty-two) and no single question was answered by all 277 activities that were represented in the survey. Accordingly, the base upon which percentage figures are computed in the exhibits that follow varies from exhibit to exhibit due to the differing number of field activity responses that were provided for each question.

To facilitate their review, Exhibit III-4 contains an exhibit summary which crossreferences each subsequent exhibit within this section to the applicable question within the author's survey from which corresponding data were aggregated. It should also be noted that, for certain questions, the responses of MCAS and RCAS activities are presented separately.

C. QUANTITATIVE ANALYSIS OF STRUCTURED RESEARCH

The purpose of this section is to quantify and analyze the data which were presented in the preceding section of this chapter. A variety of analytical techniques are employed in attempting to draw conclusions about the following areas of concern:

Exhibit Summary

<u>Exhibit NR</u>	<u>Subject</u>	<u>Crossreference</u>
III-5	MEAN TIME IN THE DELAY OF SUBMISSION OF END-OF-THE-MONTH ACCOUNTING SOURCE DOCUMENTS BY MCAS ACTIVITIES.....	Question Nr.1
III-6	MEAN TIME IN THE DELAY OF SUBMISSION OF END-OF-THE-MONTH ACCOUNTING SOURCE DOCUMENTS BY RCAS ACTIVITIES.....	Question Nr.1
III-7	MEAN NUMBER OF DAYS ELAPSED FOLLOWING THE END OF EACH ACCOUNTING PERIOD PRIOR TO RECEIPT OF MCAS ACCOUNTING REPORTS BY FIELD ACTIVITIES.....	Question Nr.2
III-8	MEAN NUMBER OF DAYS ELAPSED FOLLOWING THE END OF EACH ACCOUNTING PERIOD PRIOR TO RECEIPT OF RCAS ACCOUNTING REPORTS BY FIELD ACTIVITIES.....	Question Nr.2
III-9	ACCURACY OF MCAS ACCOUNTING REPORTS.....	Question Nr.3
III-10	ACCURACY OF RCAS ACCOUNTING REPORTS.....	Question Nr.3
III-11	COMBINED ACCURACY OF MCAS AND RCAS ACCOUNTING REPORTS.....	Question Nr.3
III-12	REQUIREMENT FOR MCAS AND RCAS FIELD ACTIVITY MANAGERS TO MEET WITH THEIR COMMANDING OFFICER OR IMMEDIATE SUPERIOR FOLLOWING THE END OF EACH ACCOUNTING PERIOD TO REPORT THE FINANCIAL STATUS OF THEIR ACTIVITY.....	Question Nr.3
III-13	IMPACT OF DELAYS ON USEFULNESS OF MCAS REPORTS....	Question Nr.4
III-14	IMPACT OF DELAYS ON USEFULNESS OF RCAS REPORTS....	Question Nr.4
III-15	COMBINED IMPACT OF DELAYS ON USEFULNESS OF MCAS AND RCAS REPORTS.....	Question Nr.4
III-16	EXTENT TO WHICH MCAS PRINTOUTS ASSIST IN FINANCIAL PLANNING AND MANAGEMENT.....	Question Nr.9
III-17	EXTENT TO WHICH RCAS PRINTOUTS ASSIST IN FINANCIAL PLANNING AND MANAGEMENT.....	Question Nr.9

Exhibit III-4. Exhibit Summary

Exhibit Summary

<u>Exhibit NR</u>	<u>Subject</u>	<u>Crossreference</u>
III-18	COMBINED EXTENT TO WHICH MCAS AND RCAS PRINT-OUTS ASSIST IN FINANCIAL PLANNING AND MANAGEMENT..	Question Nr. 9
III-19	USEFULNESS OF THE FUND SOLVENCY SECTION OF THE MCAS BALANCE SHEET AND THE COMPARATIVE ANALYSIS SECTION OF THE MCAS OPERATIONS STATEMENT.....	Question Nr.11
III-20	USEFULNESS OF THE SELF-SUFFICIENCY INFORMATION PROVIDED BY RCAS.....	Question Nr.12
III-21	ADEQUACY OF TRAINING SUPPORT AND TECHNICAL DOCUMENTATION PROVIDED TO MCAS ACTIVITIES BY MAFAS AND NAVCOMPT.....	Question Nr.21
III-22	ADEQUACY OF TRAINING SUPPORT AND TECHNICAL DOCUMENTATION PROVIDED TO RCAS ACTIVITIES BY MAFAS AND NAVCOMPT.....	Question Nr.21
III-23	ADEQUACY OF TRAINING SUPPORT AND TECHNICAL DOCUMENTATION PROVIDED TO MCAS AND RCAS ACTIVITIES BY MAFAS AND NAVCOMPT.....	Question Nr.21
III-24	EXTENT TO WHICH MCAS AND RCAS FIELD ACTIVITY MANAGERS CONSIDER THEMSELVES TO BE TECHNICALLY KNOWLEDGEABLE IN THE OVERALL MISSION AND GOALS OF MAFAS.....	Question Nr.23
III-25	EXTENT TO WHICH MCAS AND RCAS FIELD ACTIVITY MANAGERS CONSIDER THEMSELVES KNOWLEDGEABLE IN THE PHILOSOPHY BEHIND AND DOLLAR BENEFITS DERIVED FROM CONCENTRATION BANKING PROCEDURES.....	Question Nr.23
III-26	EXTENT TO WHICH MCAS AND RCAS FIELD ACTIVITY MANAGERS CONSIDER THEMSELVES KNOWLEDGEABLE IN THE PHILOSOPHY BEHIND AND FINANCIAL BASIS FOR THE NAVY'S NONAPPROPRIATED FUND CENTRAL INVESTMENT PORTFOLIO.....	Question Nr.23
III-27	WHETHER OR NOT DELAYS IN MCAS PRINTOUTS CAUSE ADDITIONAL ACCOUNTING/BOOKKEEPING EFFORTS.....	Question Nr. 5

Exhibit III-4. (cont'd)

Exhibit Summary

<u>Exhibit NR</u>	<u>Subject</u>	<u>Crossreference</u>
III-28	WHETHER OR NOT DELAYS IN RCAS PRINTOUTS CAUSE ADDITIONAL ACCOUNTING/BOOKKEEPING EFFORTS.....	Question Nr. 5
III-29	WHETHER OR NOT DELAYS IN MCAS AND RCAS PRINTOUTS CAUSE ADDITIONAL ACCOUNTING/BOOKKEEPING EFFORTS....	Question Nr. 5
III-30	EXTENT TO WHICH MCAS HAS REDUCED LOCAL BOOK- KEEPING REQUIREMENTS.....	Question Nr. 6
III-31	EXTENT TO WHICH RCAS HAS REDUCED LOCAL BOOK- KEEPING REQUIREMENTS.....	Question Nr. 6
III-32	EXTENT TO WHICH MCAS AND RCAS HAVE REDUCED LOCAL BOOKKEEPING REQUIREMENTS.....	Question Nr. 6
III-33	WHETHER OR NOT THE IMPLEMENTATION OF MCAS HAS RE- DUCED THE NUMBER OF ACCOUNTING PERSONNEL AT THE LOCAL LEVEL.....	Question Nr. 7
III-34	WHETHER OR NOT THE IMPLEMENTATION OF RCAS HAS RE- DUCED THE NUMBER OF ACCOUNTING PERSONNEL AT THE LOCAL LEVEL.....	Question Nr. 7
III-35	WHETHER OR NOT THE IMPLEMENTATION OF MCAS AND RCAS HAVE REDUCED THE NUMBER OF ACCOUNTING PERSONNEL AT THE LOCAL LEVEL.....	Question Nr. 7
III-36	IMPACT OF CENTRALIZED/CONCENTRATION BANKING SER- VICES ON THE ADMINISTRATIVE WORKLOADING OF MCAS ACTIVITIES.....	Question Nr.11
III-37	IMPACT OF CENTRALIZED/CONCENTRATION BANKING SER- VICES ON ADMINISTRATIVE WORKLOADING OF RCAS ACTIVITIES.....	Question Nr.14
III-38	COMBINED IMPACT OF CENTRALIZED/CONCENTRATION BANKING SERVICES ON THE ADMINISTRATIVE WORKLOADING OF MCAS AND RCAS ACTIVITIES.....	Question Nr.14
III-39	EXTENT TO WHICH THE TOUCH-PAY PAYROLL ACCOUNTING SYSTEM HAS EASED THE CLERICAL BURDENS OF PAYROLL ACCOUNTING AMONG MCAS AND RCAS ACTIVITIES.....	Question Nr.17

Exhibit III-4. (cont'd)

Exhibit Summary

<u>Exhibit NR</u>	<u>Subject</u>	<u>Crossreference</u>
III-40	WHETHER OR NOT THE TOUCH-PAY PAYROLL ACCOUNTING SYSTEM HAS GREATLY REDUCED ACCOUNTING EFFORTS ASSOCIATED WITH YEAR-END W-2 FORM PREPARATION.....	Question Nr.18
III-41	WHETHER OR NOT THE TOUCH-PAY PAYROLL ACCOUNTING SYSTEM HAS SIGNIFICANTLY REDUCED THE ACCOUNTING/ ADMINISTRATIVE BURDENS OF PUBLIC LAW 92392/ DOD WAGE POLICY GUIDELINES.....	Question Nr.19
III-42	EXTENT TO WHICH CENTRALIZED ACCOUNTING, BANKING, AND PAYROLL SERVICES PROVIDED BY NAFAS HAVE CONTRIBUTED TO / DETRACTED FROM THE MANAGEMENT FLEXIBILITY OF MCAS ACTIVITIES.....	Question Nr.22
III-43	EXTENT TO WHICH CENTRALIZED ACCOUNTING, BANKING, AND PAYROLL SERVICES PROVIDED BY NAFAS HAVE CONTRIBUTED TO/ DETRACTED FROM THE MANAGEMENT FLEXIBILITY OF RCAS ACTIVITIES.....	Question Nr.22
III-44	EXTENT TO WHICH CENTRALIZED, ACCOUNTING, BANKING, AND PAYROLL SERVICES PROVIDED BY NAFAS HAVE CONTRIBUTED TO/ DETRACTED FROM MANAGEMENT FLEXIBILITY OF MCAS AND RCAS ACTIVITIES.....	Question Nr.22
III-45	FREQUENCY OF BANK RECONCILIATIONS PRIOR TO THE IMPLEMENTATION OF CENTRALIZED BANKING PROCEDURES...	Question Nr.22

Exhibit III-4. (cont'd)

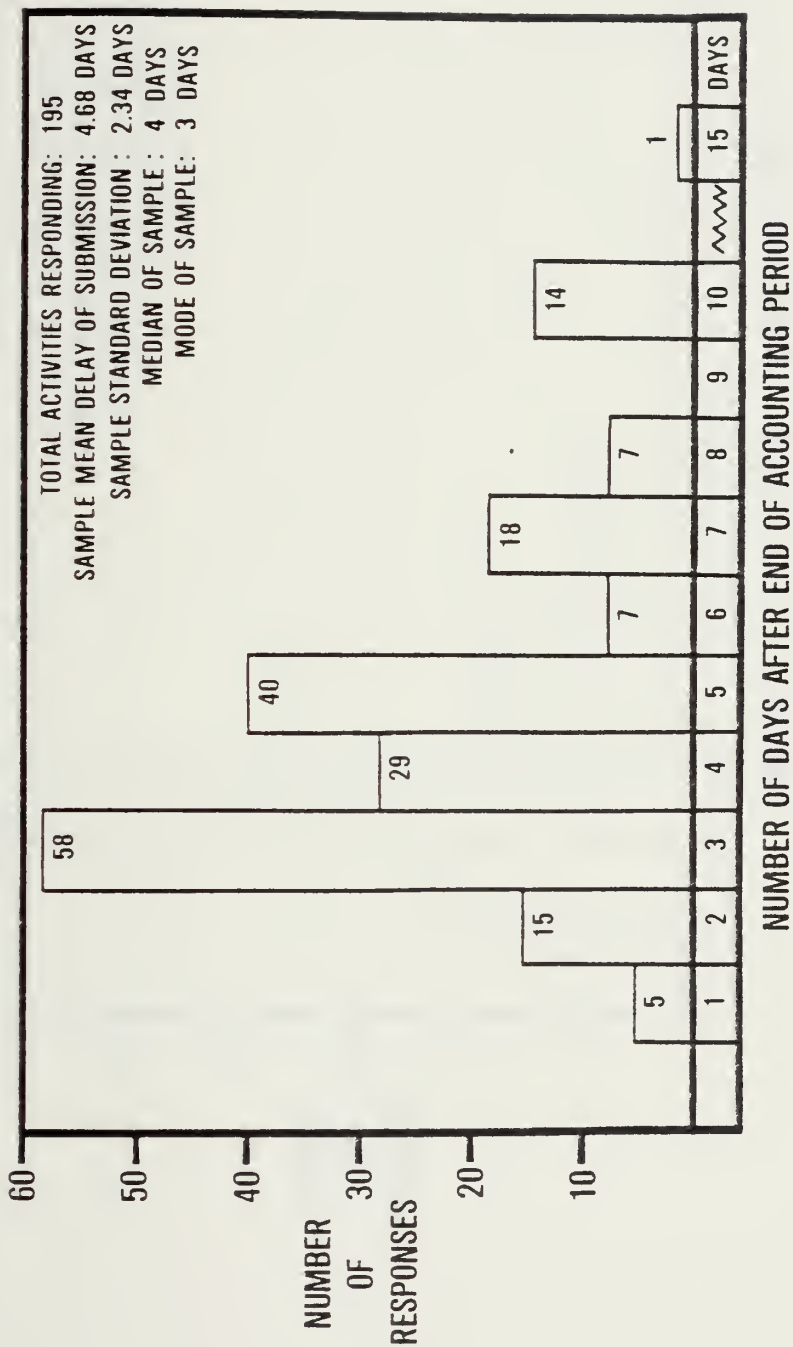


Exhibit III-5. Mean Time in the Delay of Submission of End-of-the-Month Accounting Source Documents by MCAS Activities

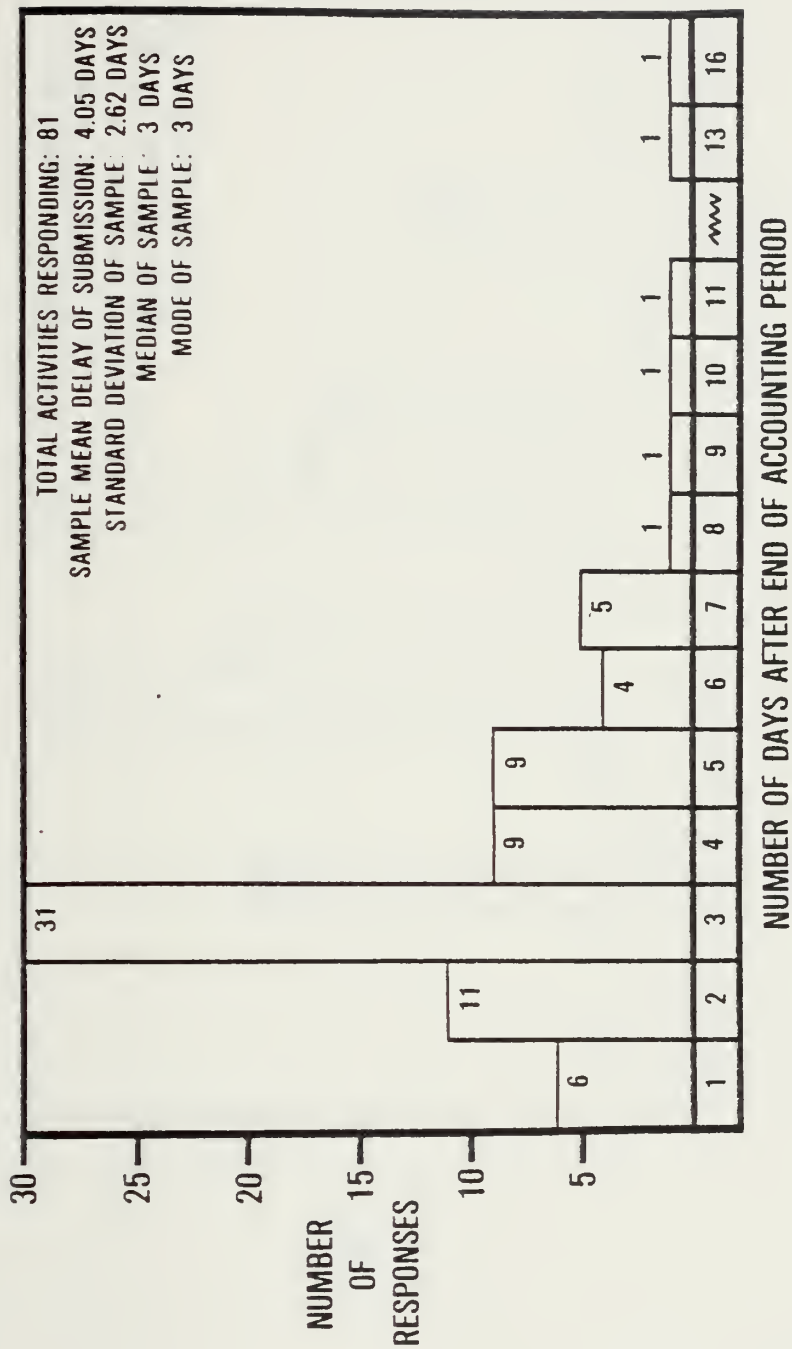


Exhibit III-6. Mean Time in the Delay of Submission of End-of-the-Month Accounting Source Documents by RCAS Activities

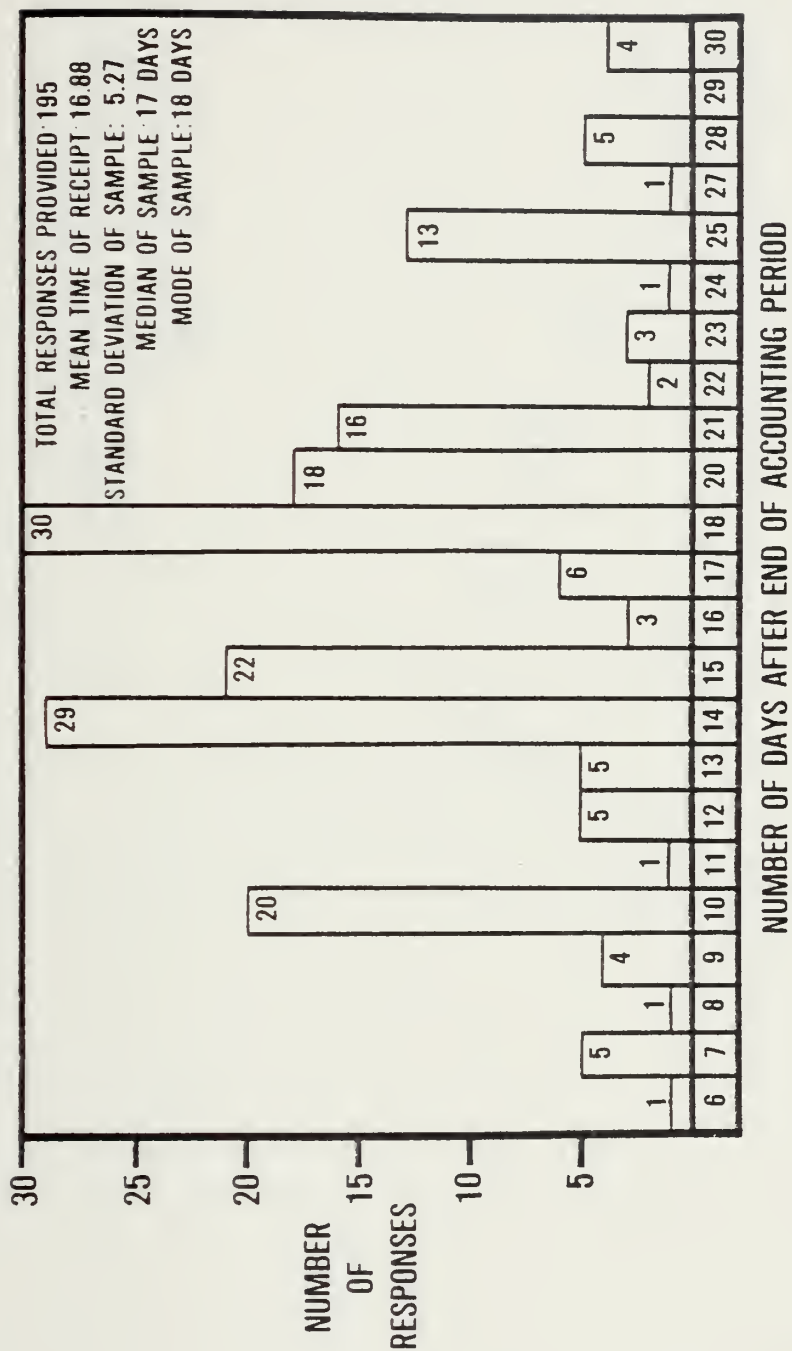


Exhibit III-7. Mean Time of Receipt of NAFAS Accounting Reports at MCAS Activities

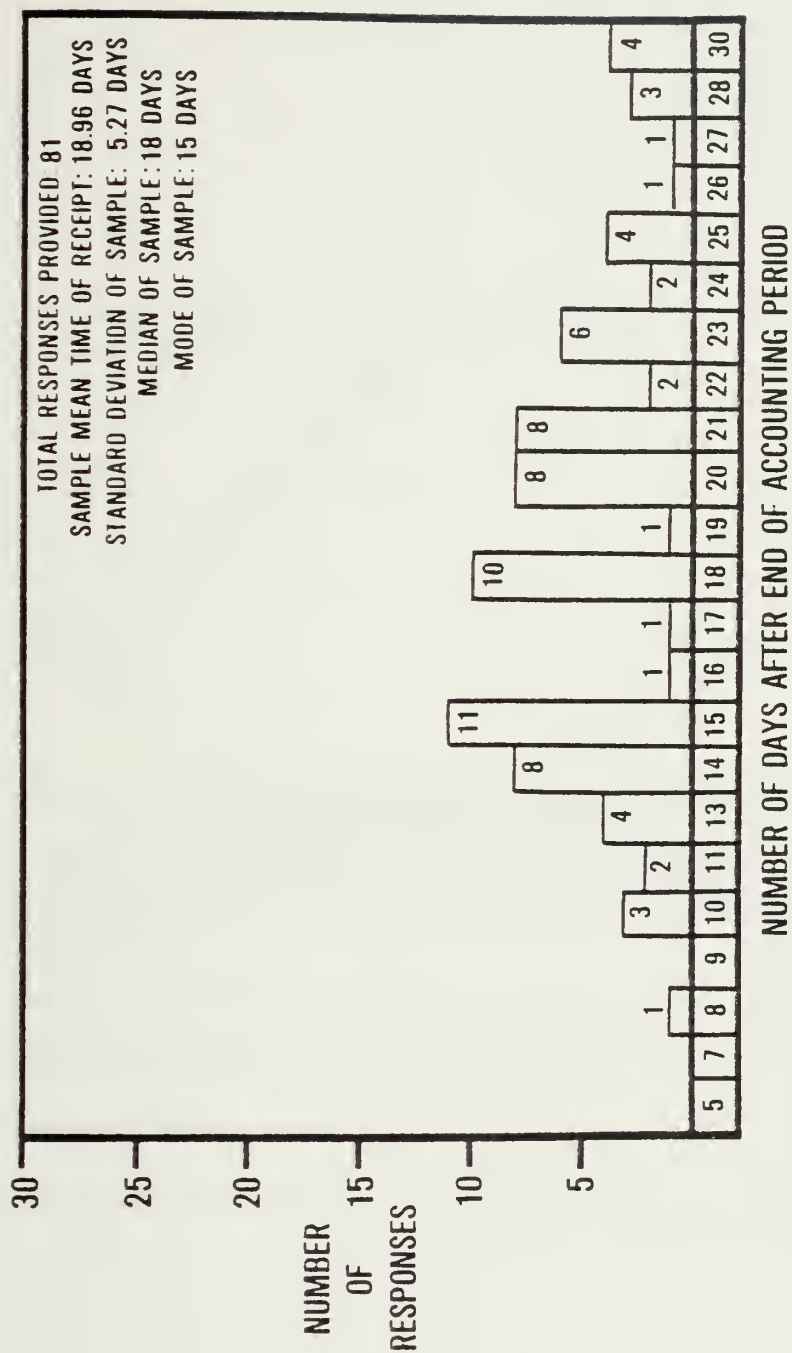
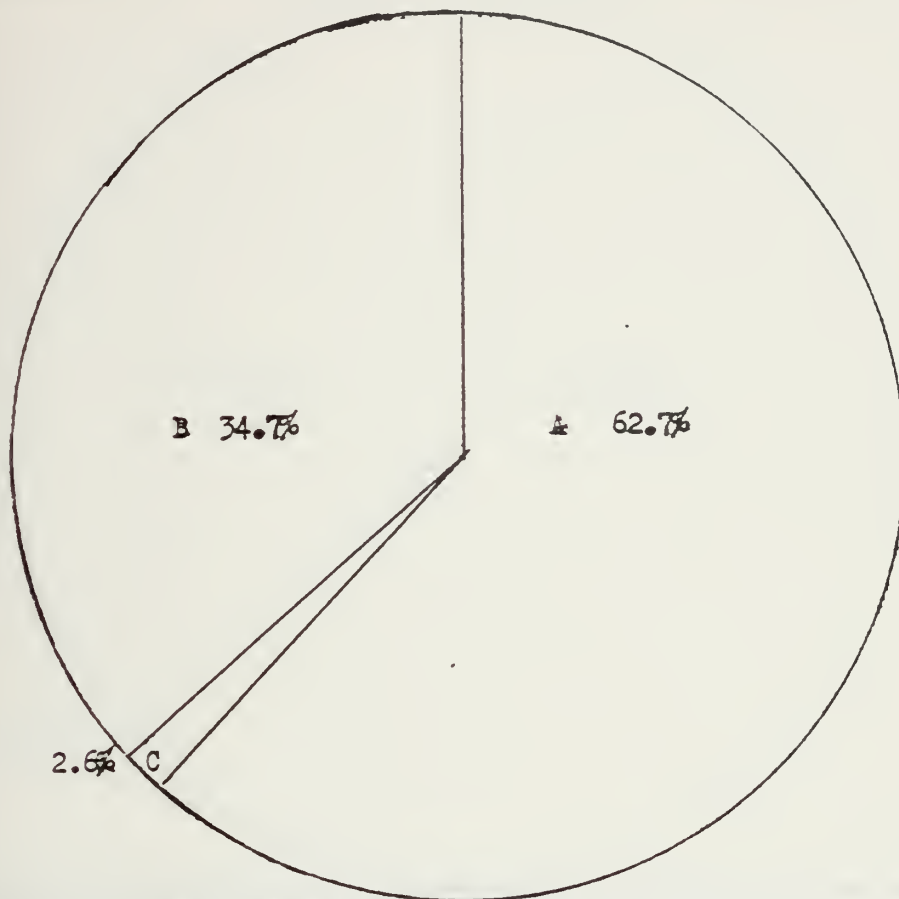


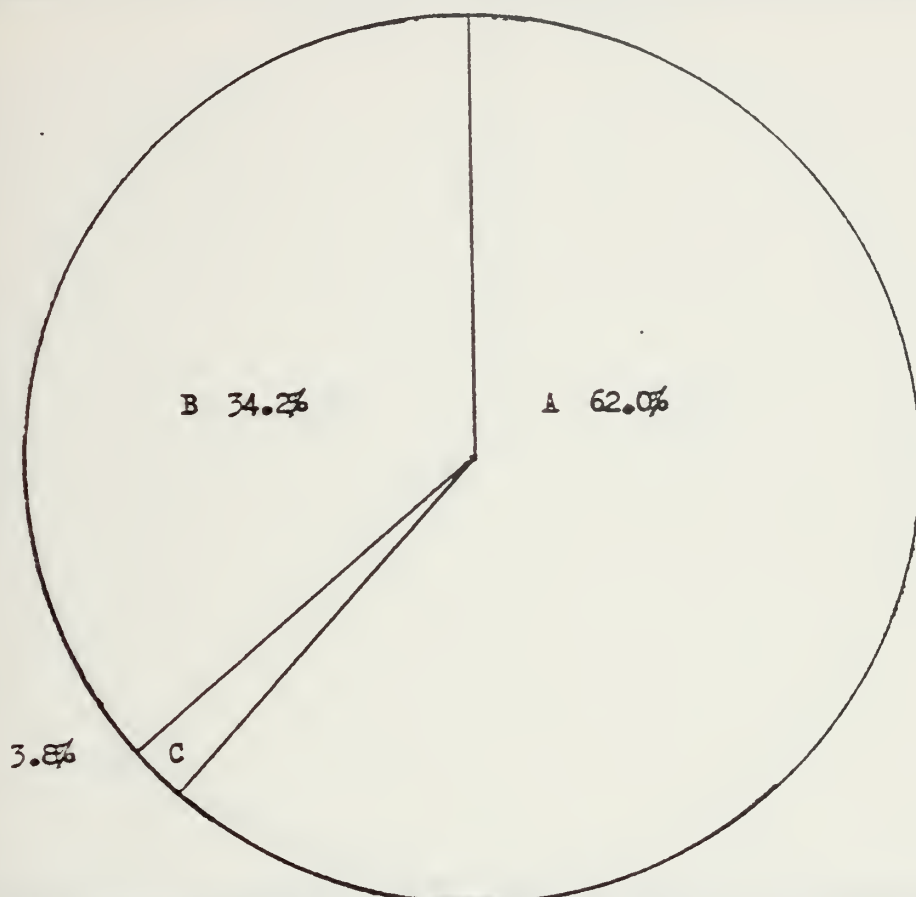
Exhibit III-8. Mean Time of Receipt of NAFAS Accounting Reports at RCAS Activities



ACCURACY OF MCAS ACCOUNTING REPORTS

Total Number of Activities for Which Responses Were Submitted:	193	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Virtually no errors.....	121	62.7
B. Occasional errors.....	67	34.7
C. Frequent errors.....	5	2.6
Total.....	193	100

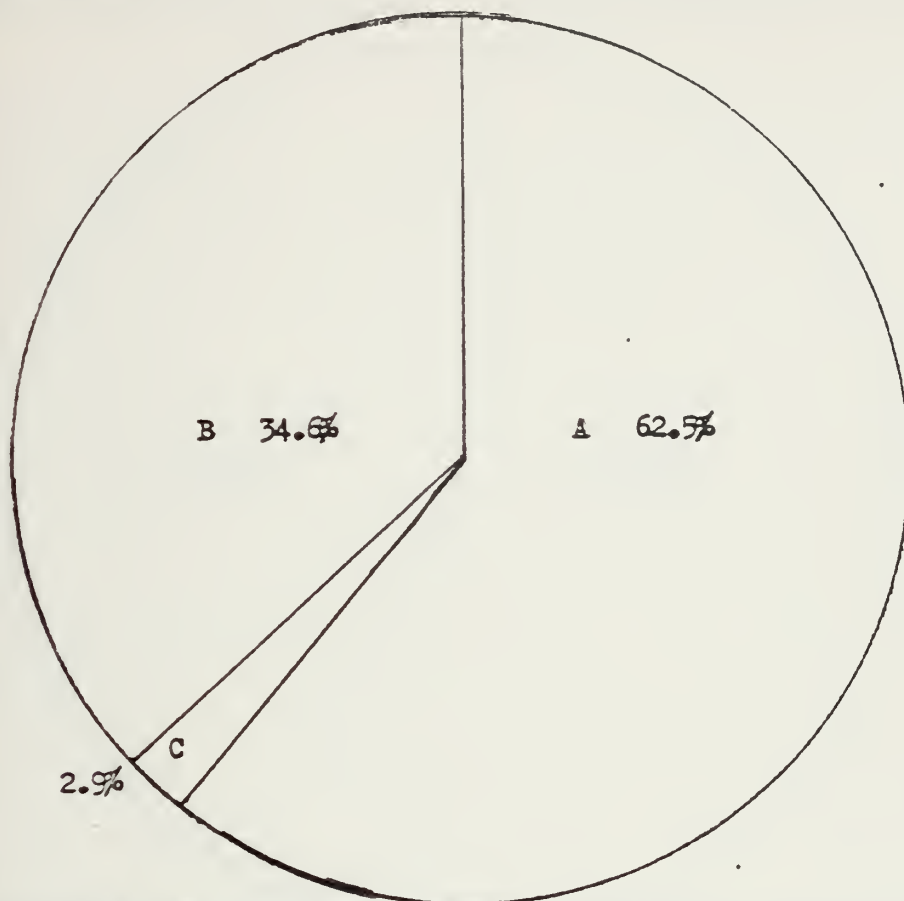
Exhibit III-9. Accuracy of MCAS Accounting Reports



ACCURACY OF RCAS ACCOUNTING REPORTS

Total Number of Activities for Which Responses Were Submitted:		79
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Virtually no errors.....	49	62.0
B. Occasional errors.....	27	34.2
C. Frequent errors.....	3	3.8
Total.....	79	100.0

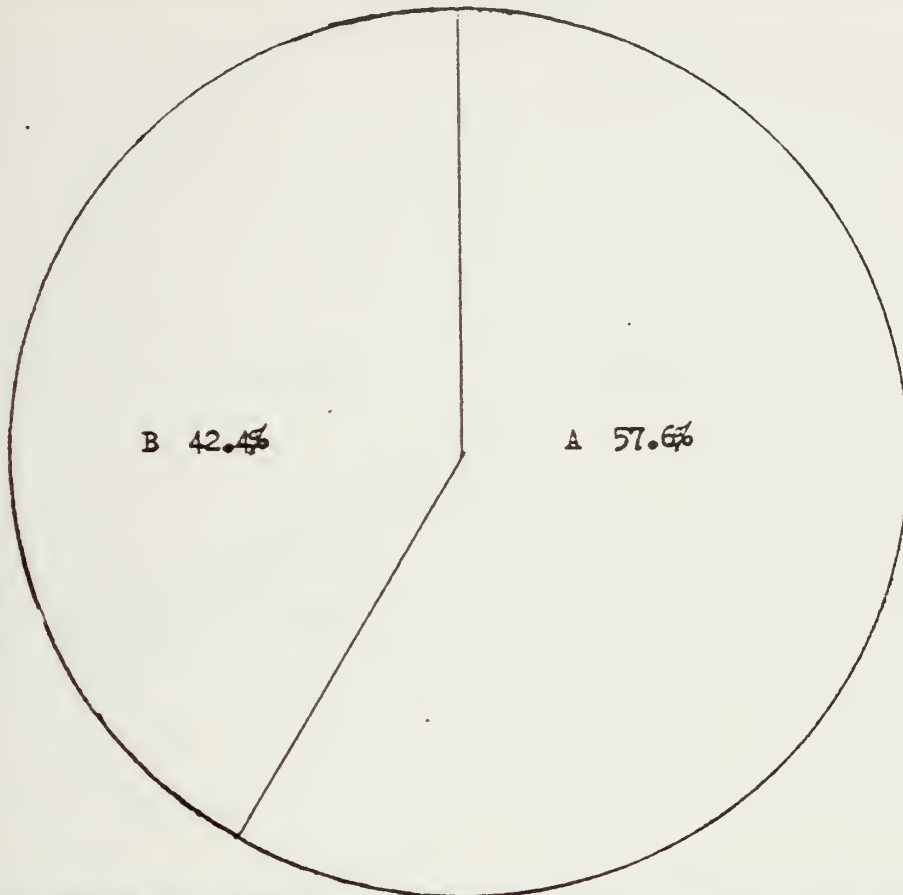
Exhibit III-10. Accuracy of RCAS Accounting Reports



COMBINED ACCURACY OF MCAS/RCAS ACCOUNTING REPORTS

Total Number of Activities for Which Responses Were Submitted:		272
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Virtually no errors.....	170	62.5
B. Occasional errors.....	94	34.6
C. Frequent errors.....	8	2.9
Total.....	272	100.0

Exhibit III-11. Combined Accuracy of MCAS and RCAS Accounting Reports



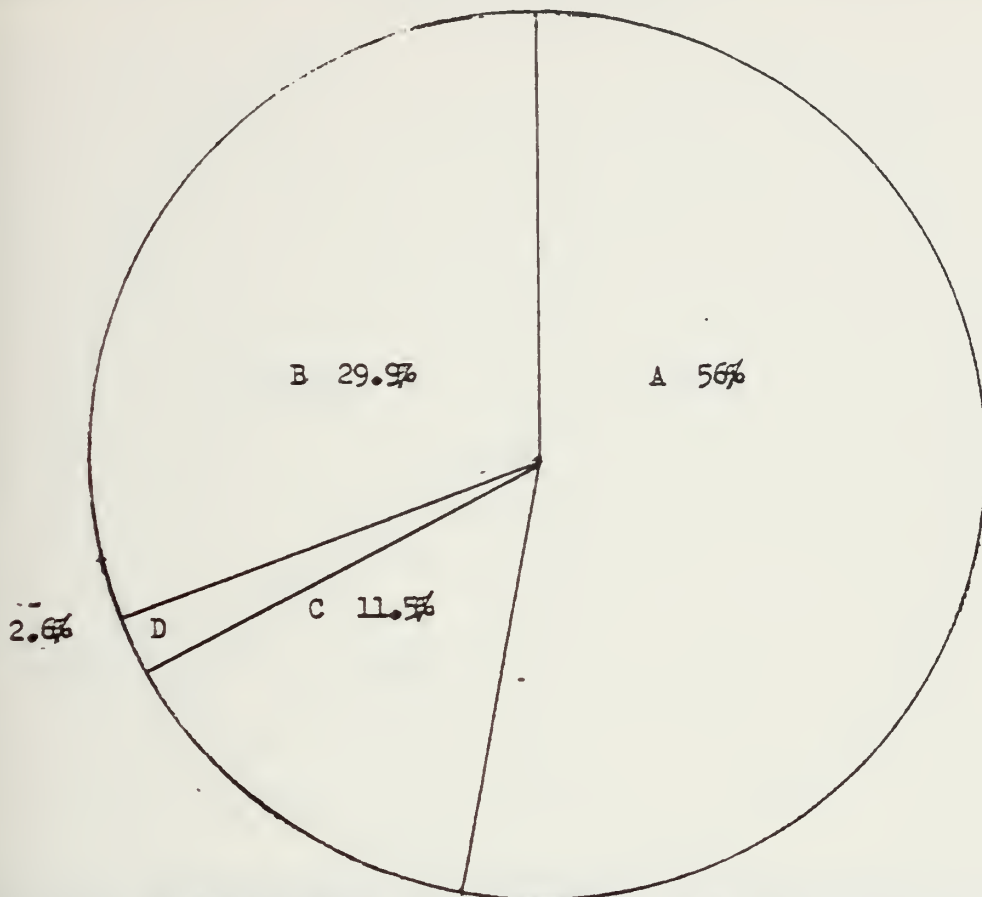
REQUIREMENT FOR MCAS AND RCAS FIELD ACTIVITY MANAGERS TO MEET WITH THEIR
COMMANDING OFFICER OR IMMEDIATE SUPERIOR FOLLOWING THE END OF EACH ACCOUNT-
ING PERIOD TO REPORT THE FINANCIAL STATUS OF THEIR ACTIVITY

Total Number of Activities for Which Responses Were Submitted: 269

Breakdown of Responses: NR %

A. Yes.....	155	57.6
B. No.....	114	42.4
Total.....	269	100.0

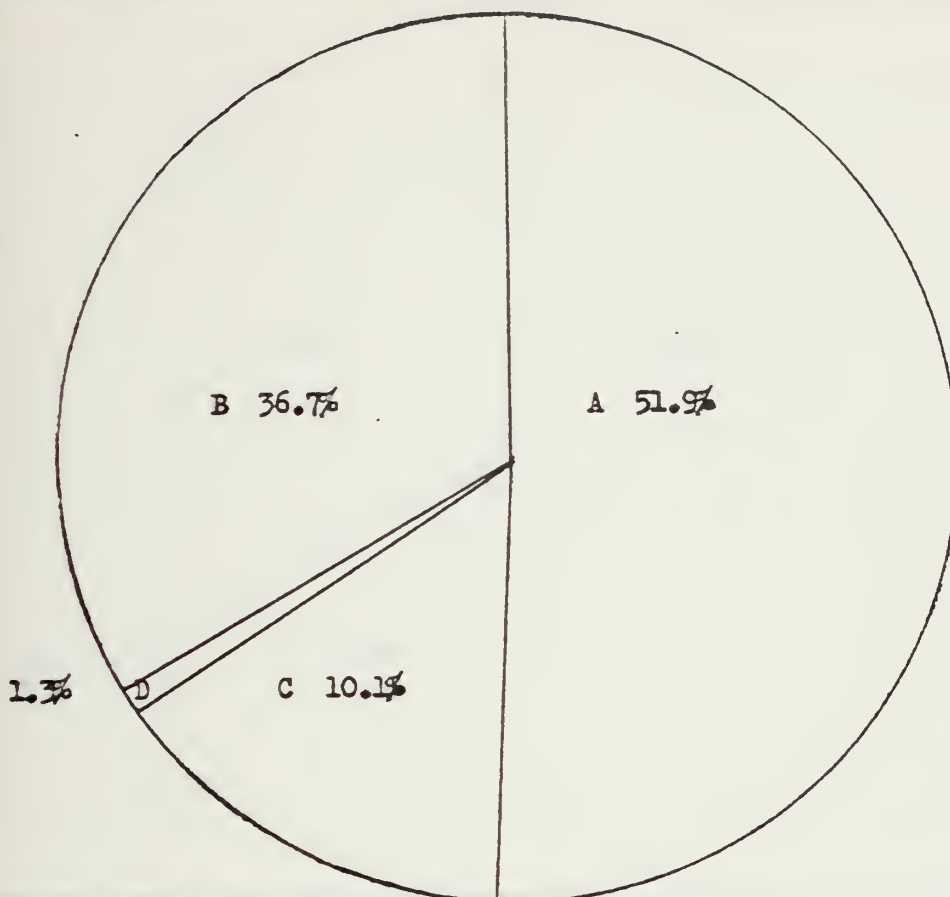
Exhibit III-12. Requirement for MCAS and RCAS Field Activity Managers to Meet with Their Commanding Officer or Immediate Superior Following the End of Each Accounting Period to Report the Financial Status of Their Activity



IMPACT OF DELAYS ON USEFULNESS OF MCAS REPORTS

Total Number of Activities for Which Responses Were Submitted:	191	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Reports are extremely useful despite delays.....	107	56.0
B. Usefulness of reports is partially diminished.....	57	29.9
C. Usefulness of reports is greatly diminished.....	22	11.5
D. Reports are rendered totally useless.....	5	2.6
Total.....	191	100.0

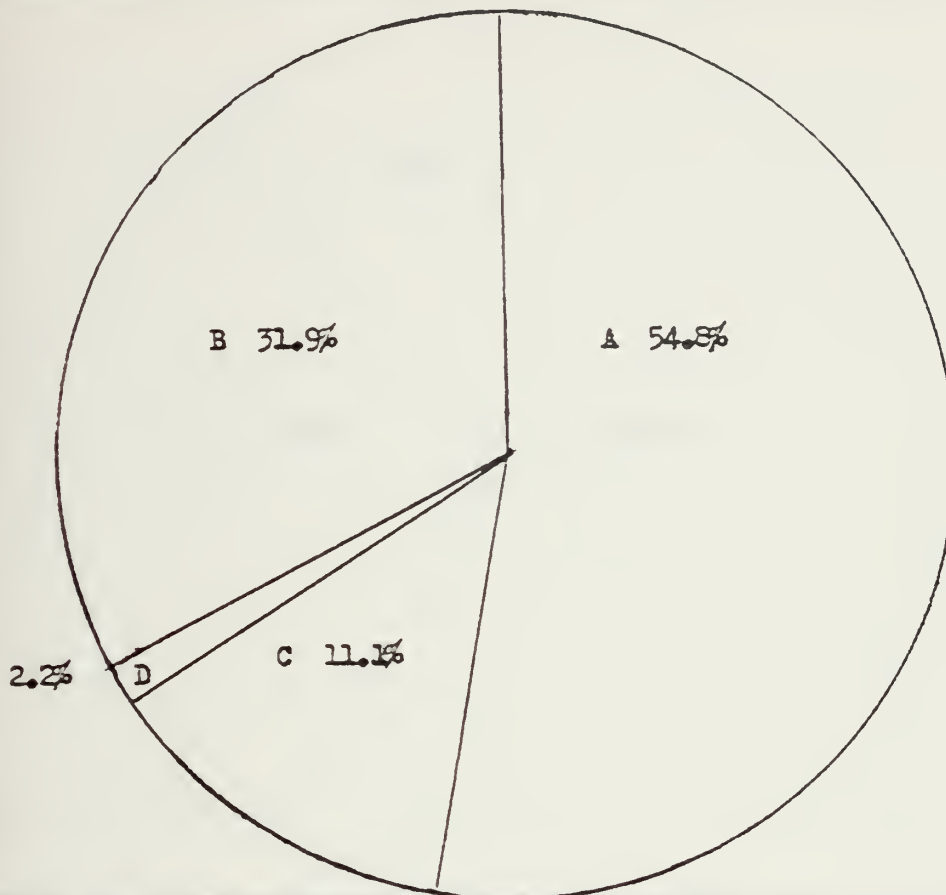
Exhibit III-13. Impact on Delays on Usefulness of MCAS Reports



IMPACT OF DELAYS ON USEFULNESS OF RCAS REPORTS

Total Number of Activities for Which Responses Were Submitted:		79
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Reports are extremely useful despite delays.....	41	51.9
B. Usefulness of reports is partially diminished.....	29	36.7
C. Usefulness of reports is greatly diminished.....	8	10.1
D. Reports are rendered totally useless.....	1	1.3
Total.....	79	100.0

Exhibit III-14. Impact on Delays on Usefulness of RCAS Reports



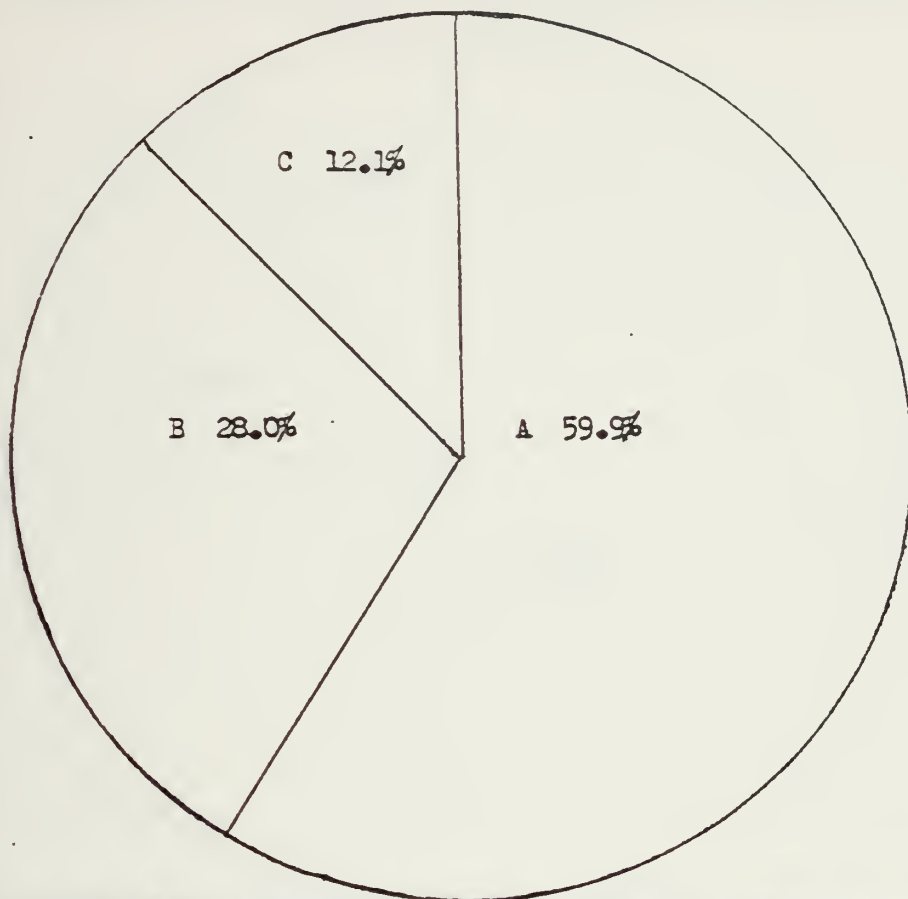
COMBINED IMPACT OF DELAYS ON USEFULNESS OF MCAS/RCAS REPORTS

Total Number of Activities for Which Responses Were Submitted: 270

Breakdown of Responses: NR %

A. Reports are extremely useful despite delays.....	148	54.8
B. Usefulness of reports is partially diminished.....	86	31.9
C. Usefulness of reports is greatly diminished.....	30	11.1
D. Reports are rendered totally useless.....	6	2.2
Total.....	270	100.0

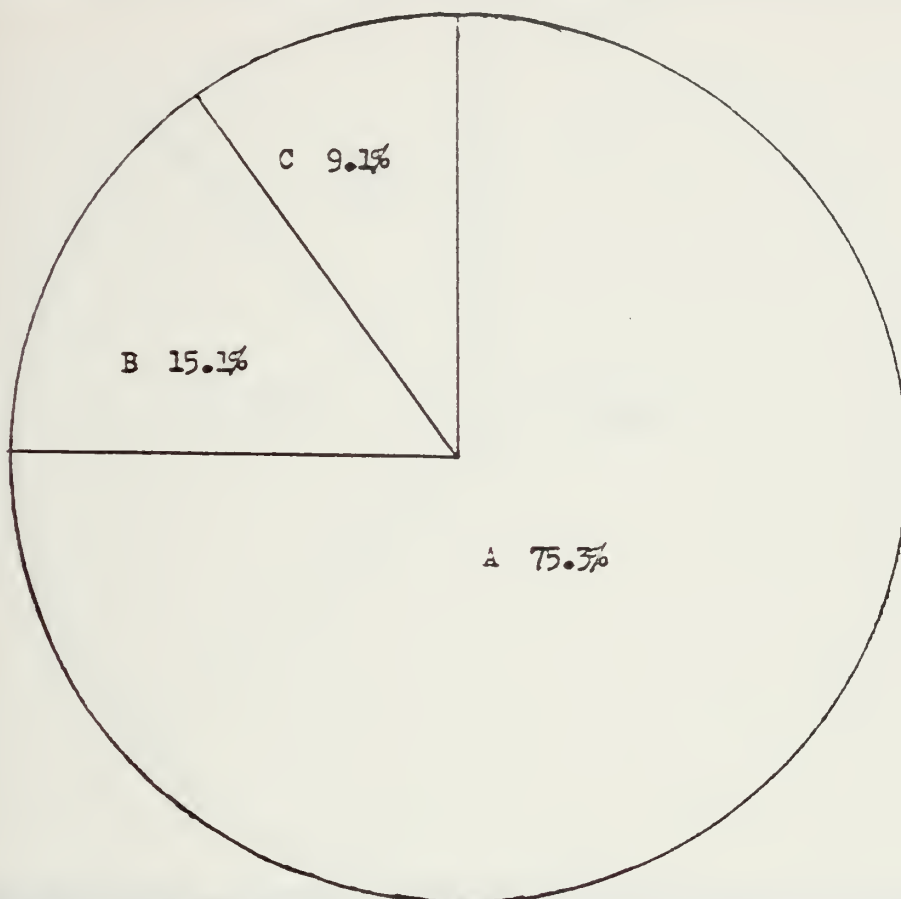
Exhibit III-15. Combined Impact of Delays on Usefulness of MCAS and RCAS Reports



EXTENT TO WHICH MCAS PRINTOUTS ASSIST IN FINANCIAL PLANNING AND MANAGEMENT

Total Number of Activities for Which Responses Were Submitted:	182	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Information provided is highly practical and useful in planning and managing the finances of this activity.....	109	59.9
B. Information provided is of limited practical value in planning and managing the finances of this activity.....	51	28.0
C. Information provided is of little or no practical value in planning and managing the finances of this activity.....	22	12.1
Total.....	182	100.0

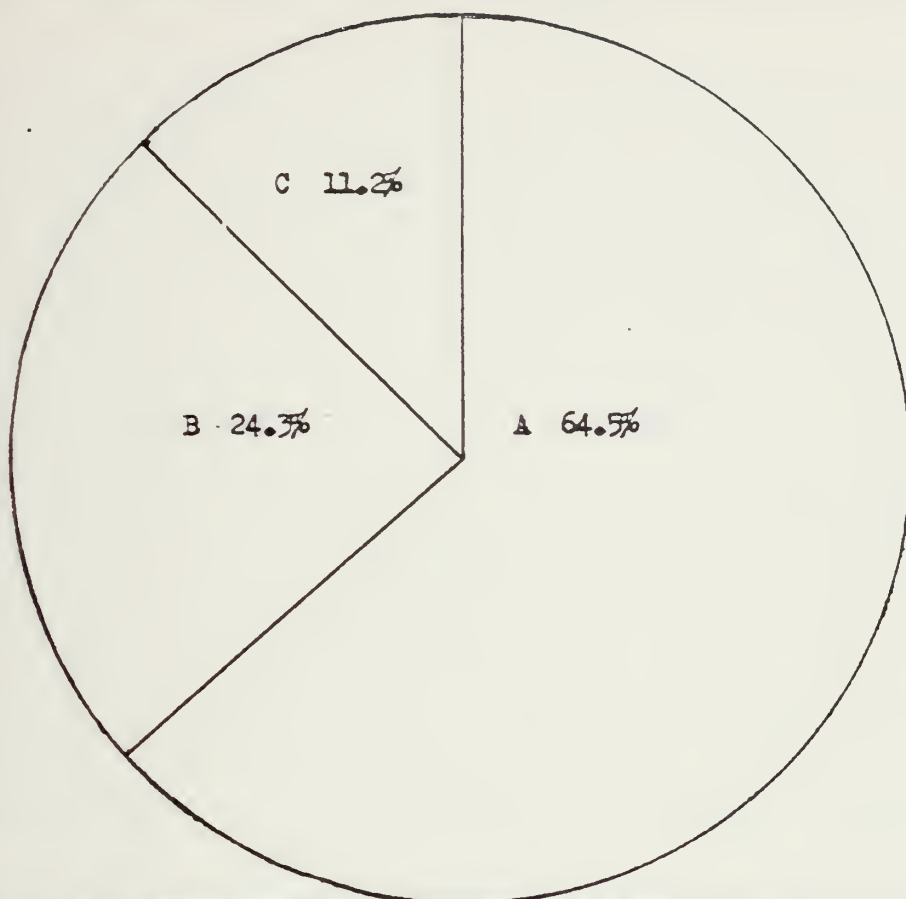
Exhibit III-16. Extent to Which MCAS Printouts Assist in Financial Planning and Management



EXTENT TO WHICH RCAS PRINTOUTS ASSIST IN FINANCIAL PLANNING AND MANAGEMENT

Total Number of Activities for Which Responses Were Submitted:	77
Breakdown of Responses:	<u>NR</u> <u>%</u>
A. Information provided is highly practical and useful in planning and managing the finances of this activity.....	58 75.3
B. Information provided is of limited practical value in planning and managing the finances of this activity.....	12 15.6
C. Information provided is of little or no practical value in planning and managing the finances of this activity.....	7 9.1
Total.....	182 100.0

Exhibit III-17. Extent to Which RCAS Printouts Assist in Financial Planning and Management



COMBINED EXTENT TO WHICH MCAS & RCAS PRINTOUTS ASSIST IN FINANCIAL

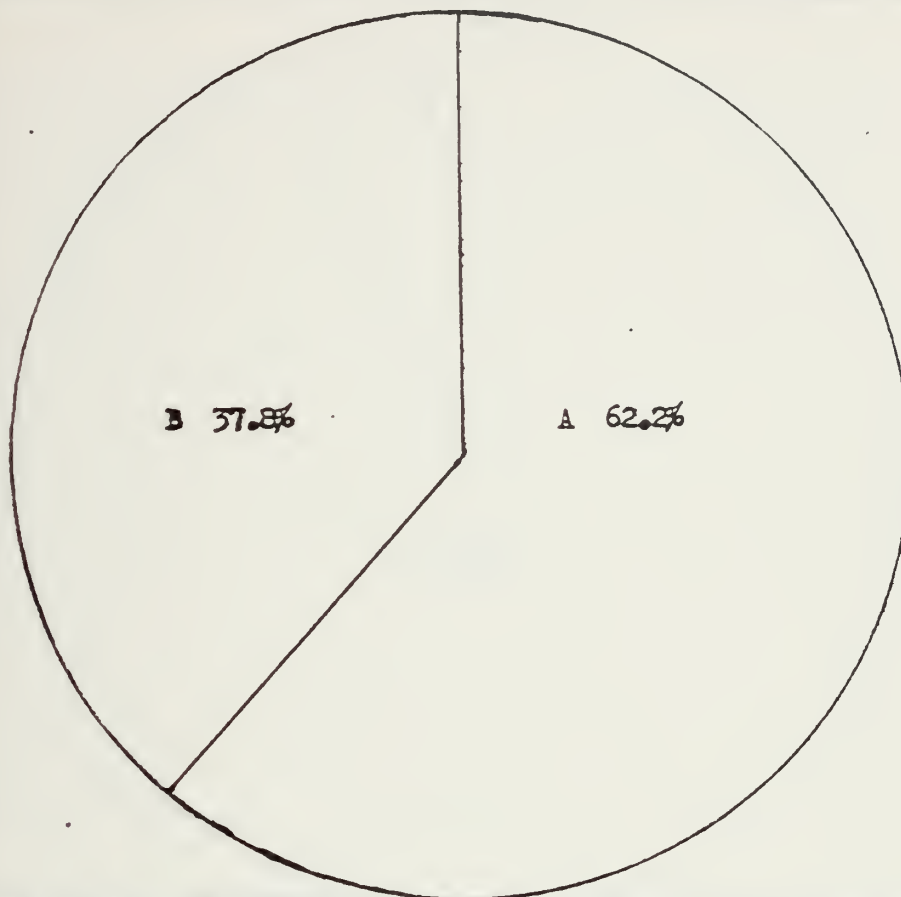
PLANNING AND MANAGEMENT

Total Number of Activities for Which Responses Were Submitted: 259

Breakdown of Responses: NR %

A. Information provided is highly practical and useful in planning and managing the finances of this activity.....	167	64.5
B. Information provided is of limited practical value in planning and managing the finances of this activity.....	63	24.3
C. Information provided is of little or no practical value in planning and managing the finances of this activity.....	29	11.2
Total.....	259	100.0

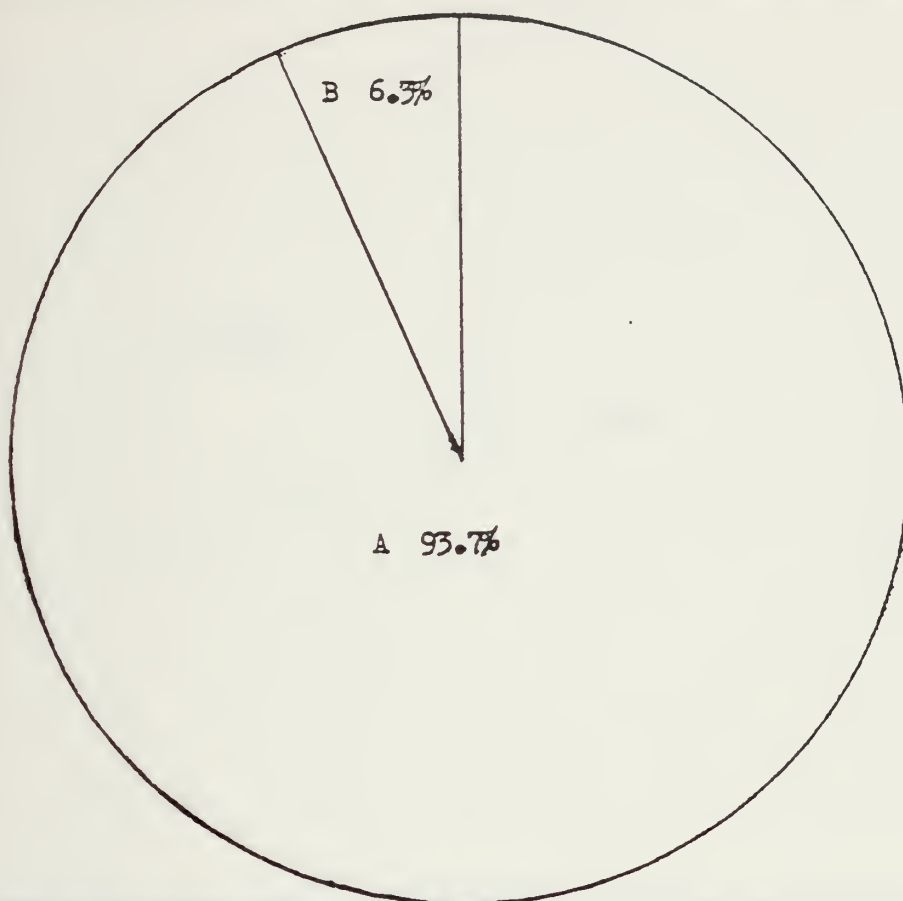
Exhibit III-18. Combined Extent to Which MCAS and RCAS Printouts Assist in Financial Planning and Management



USEFULNESS OF THE FUND SOLVENCY SECTION OF THE MCAS BALANCE SHEET AND THE
COMPARATIVE ANALYSIS SECTION OF THE MCAS OPERATIONS STATEMENT

Total Number of Activities for Which Responses Were Submitted:	188
Breakdown of Responses:	<u>NR</u> <u>4</u>
A. Yes.....	117 62.2
B. No.....	71 37.8
Total.....	188 100.0

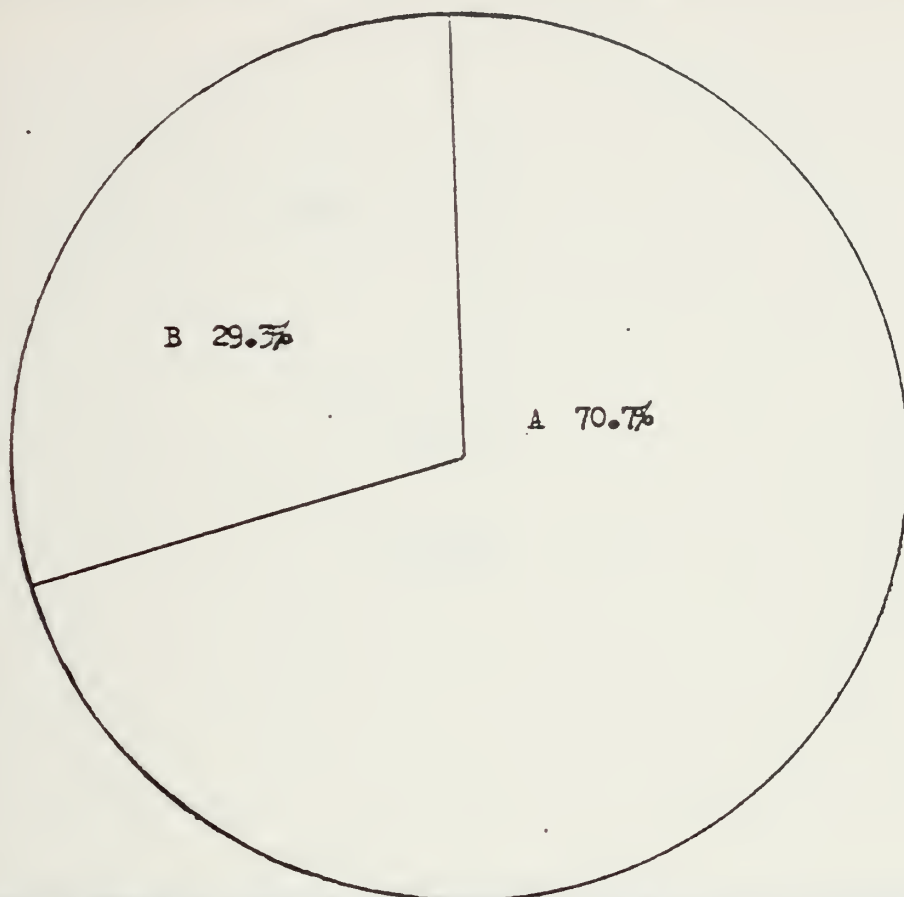
Exhibit III-19. Usefulness of the Fund Solvency Section of the MCAS Balance Sheet and the Comparative Analysis Section of the MCAS Operations Statement



USEFULNESS OF SELF-SUFFICIENCY INFORMATION PROVIDED BY RCAS

Total Number of Activities for Which Responses Were Submitted:	80
Breakdown of Responses:	<u>NR</u> <u>%</u>
A. Yes.....	75 93.7
B. No.....	5 6.3
Total.....	80 100.0

Exhibit III-20. Usefulness of the Self-Sufficiency Information Provided by RCAS

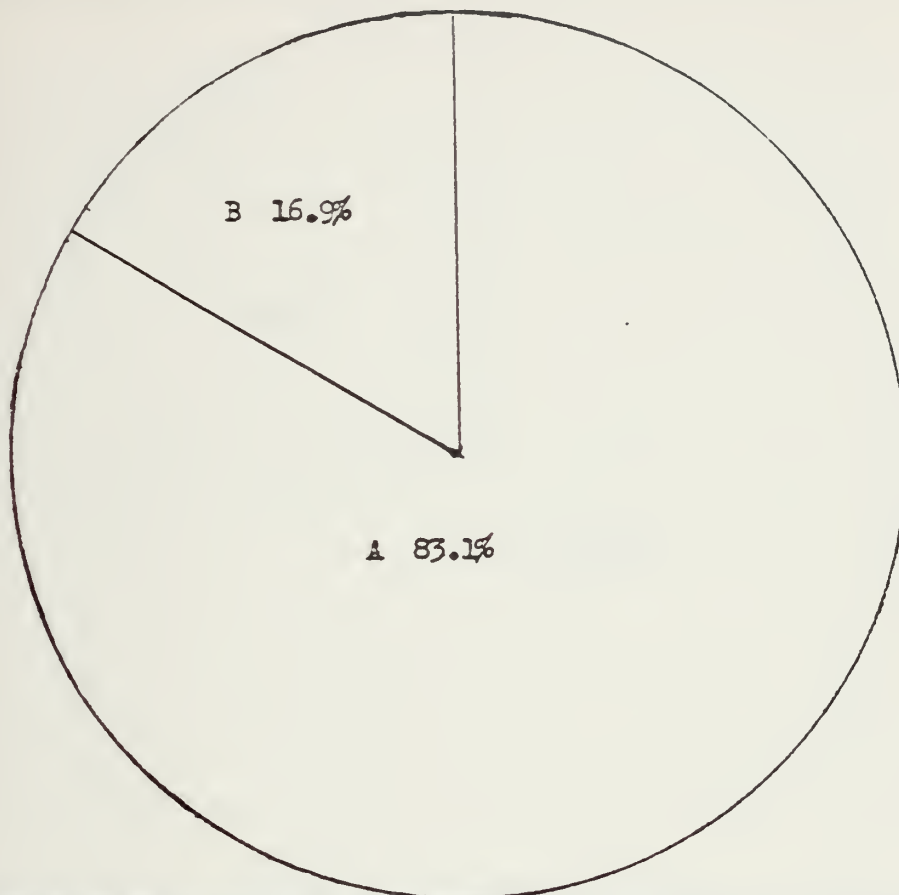


ADEQUACY OF TRAINING SUPPORT AND TECHNICAL DOCUMENTATION PROVIDED TO

MCAS ACTIVITIES BY NAFAS AND NAVCOMPT

Total Number of Activities for Which Responses Were Submitted:	191
Breakdown of Responses:	<u>NR</u> <u>%</u>
A. Yes.....	135 70.7
B. No.....	56 29.3
Total.....	191 100.0

Exhibit III-21. Adequacy of Training Support and Technical Documentation Provided to MCAS Activities by NAFAS and NAVCOMPT

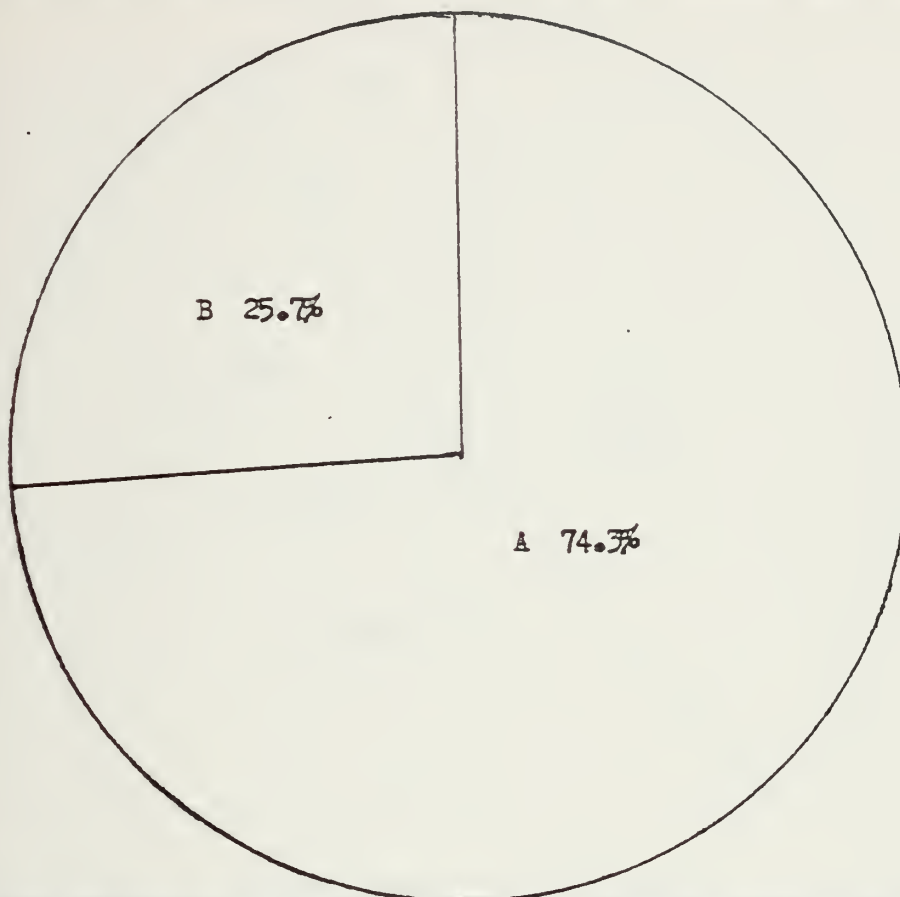


ADEQUACY OF TRAINING SUPPORT AND TECHNICAL DOCUMENTATION PROVIDED TO

RCAS ACTIVITIES BY NAFAS AND NAVCOMPT

Total Number of Activities for Which Responses Were Submitted:		77
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Yes.....	64	83.1
B. No.....	13	16.9
Total.....	77	100.0

Exhibit III-22. Adequacy of Training Support and Technical Documentation Provided to RCAS Activities by NAFAS and NAVCOMPT

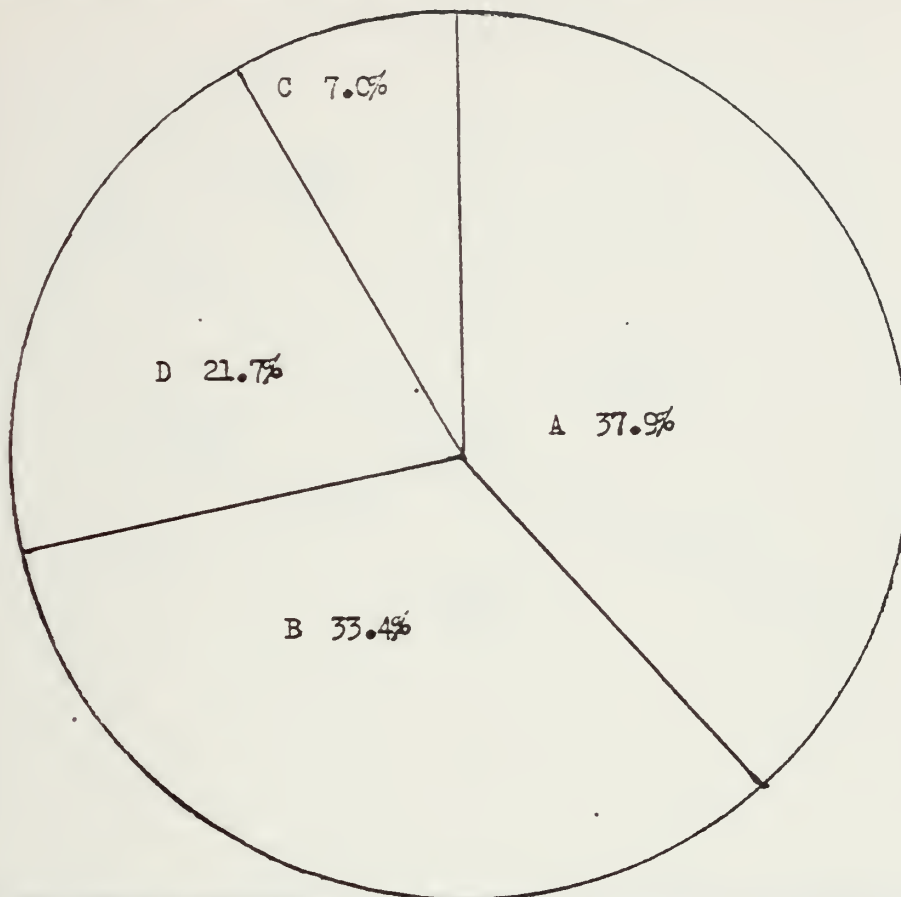


ADEQUACY OF TRAINING SUPPORT AND TECHNICAL DOCUMENTATION PROVIDED TO

MCAS AND RCAS ACTIVITIES BY NAFAS AND NAVCOMPT

Total Number of Activities for Which Responses Were Submitted:		268
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Yes.....	199	74.3
B. No.....	69	25.7
Total.....	268	100.0

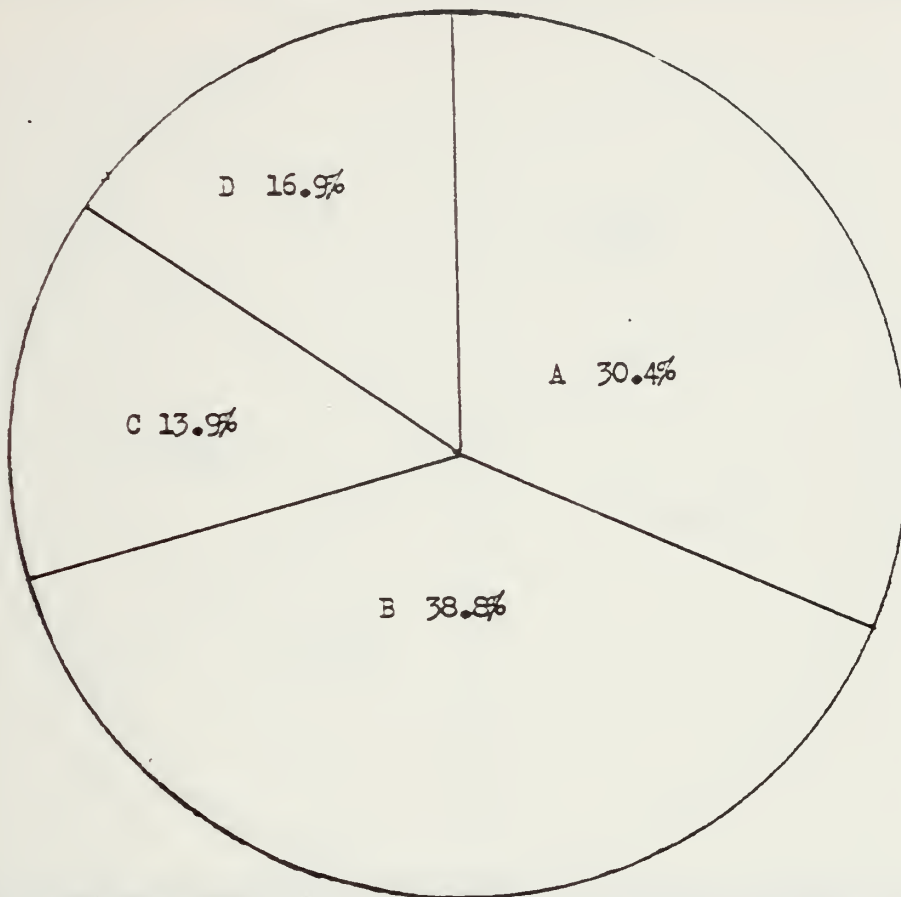
Exhibit III-23. Adequacy of Training Support and Technical Documentation Provided to MCAS and RCAS Activities by NAFAS and NAVCOMPT



EXTENT TO WHICH MCAS AND RCAS FIELD ACTIVITY MANAGERS CONSIDER THEMSELVES
TO BE TECHNICALLY KNOWLEDGEABLE IN THE OVERALL MISSION AND GOALS OF NAFAS

Total Number of Activities for Which Responses Were Submitted:		272
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Thoroughly knowledgeable.....	163	37.9
B. Fairly knowledgeable.....	91	33.4
C. Vaguely familiar.....	19	7.0
D. Quite frankly, my knowledge of NAFAS is limited to a general familiarity with only those services that NAFAS specifically performs on behalf of this activity.....	59	21.7
Total.....	272	100.0

Exhibit III-24. Extent to Which MCAS and RCAS Field Activity Managers Consider Themselves to be Technically Knowledgeable in the Overall Mission and Goals of NAFAS



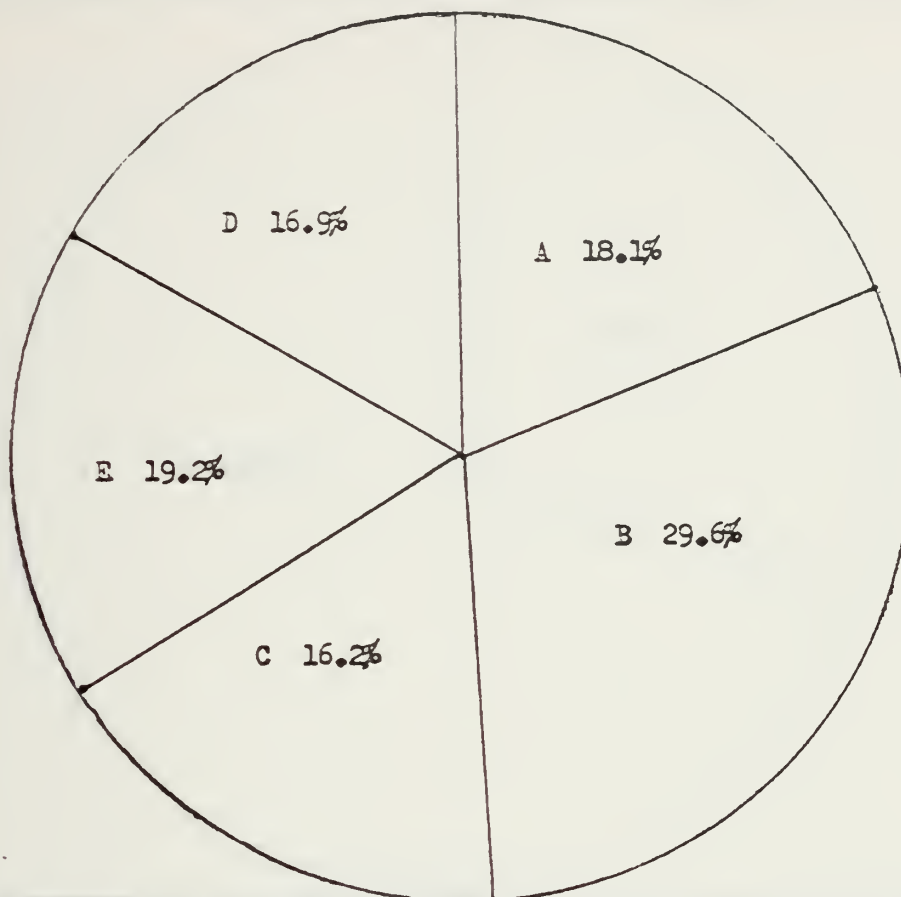
EXTENT TO WHICH MCAS AND RCAS FIELD ACTIVITY MANAGERS CONSIDER THEMSELVES

KNOWLEDGEABLE IN THE PHILOSOPHY BEHIND AND DOLLAR BENEFITS DERIVED FROM

CONCENTRATION BANKING PROCEDURES

Total Number of Activities for Which Responses Were Submitted:	273	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Thoroughly knowledgeable.....	83	30.4
B. Fairly knowledgeable.....	106	38.8
C. Vaguely familiar.....	38	13.9
D. Frankly, my knowledge of the pros and cons of concentration banking services is quite limited.....	46	16.9
Total.....	273	100.0

Exhibit III-25. Extent to Which MCAS and RCAS Field Activity Managers Consider Themselves Knowledgeable in the Philosophy Behind and Dollar Benefits Derived from Concentration Banking Procedures

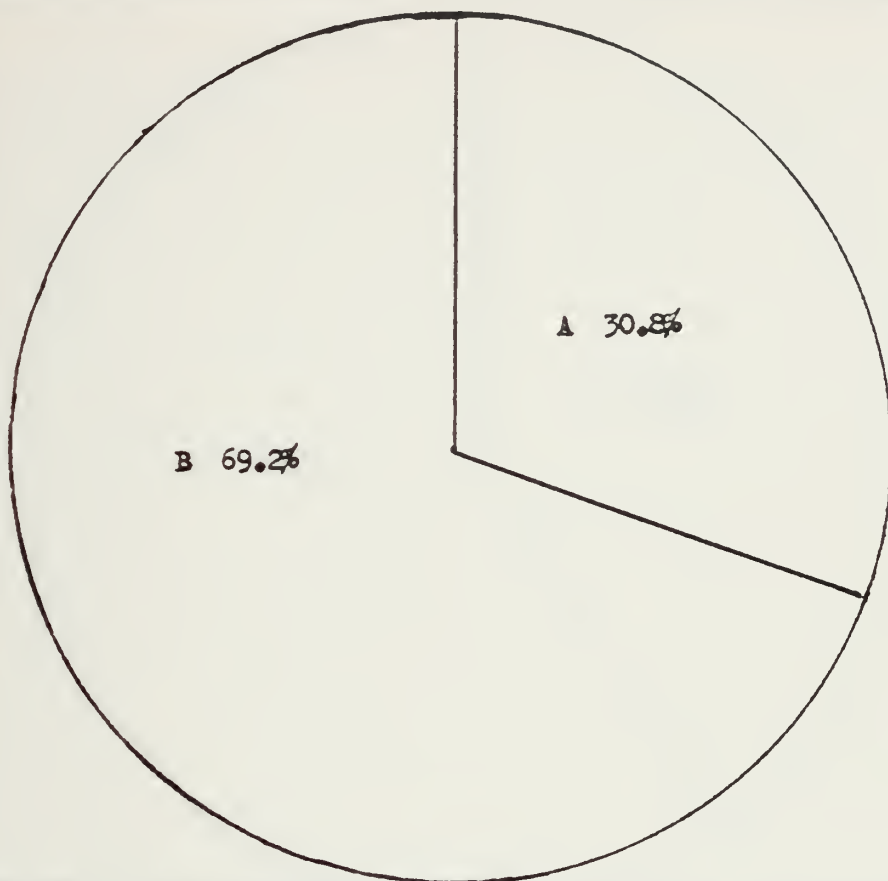


EXTENT TO WHICH MCAS AND RCAS FIELD ACTIVITY MANAGERS CONSIDER THEMSELVES
KNOWLEDGEABLE IN THE PHILOSOPHY BEHIND AND FINANCIAL BASIS FOR THE NAVY'S

NONAPPROPRIATED FUND CENTRAL INVESTMENT PORTFOLIO

Total Number of Activities for Which Responses Were Submitted: 260		
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Thoroughly knowledgeable.....	47	18.1
B. Fairly knowledgeable.....	77	29.6
C. Vaguely familiar.....	42	16.2
D. I know that the portfolio exists, but not much else about it.....	44	16.9
E. I am both unaware of the existence of the portfolio and the financial basis for it.....	50	19.2

Exhibit III-26. Extent to Which MCAS and RCAS Field Activity Managers Consider Themselves Knowledgeable in the Philosophy Behind and Financial Basis for the Navy's Nonappropriated Fund Central Investment Portfolio



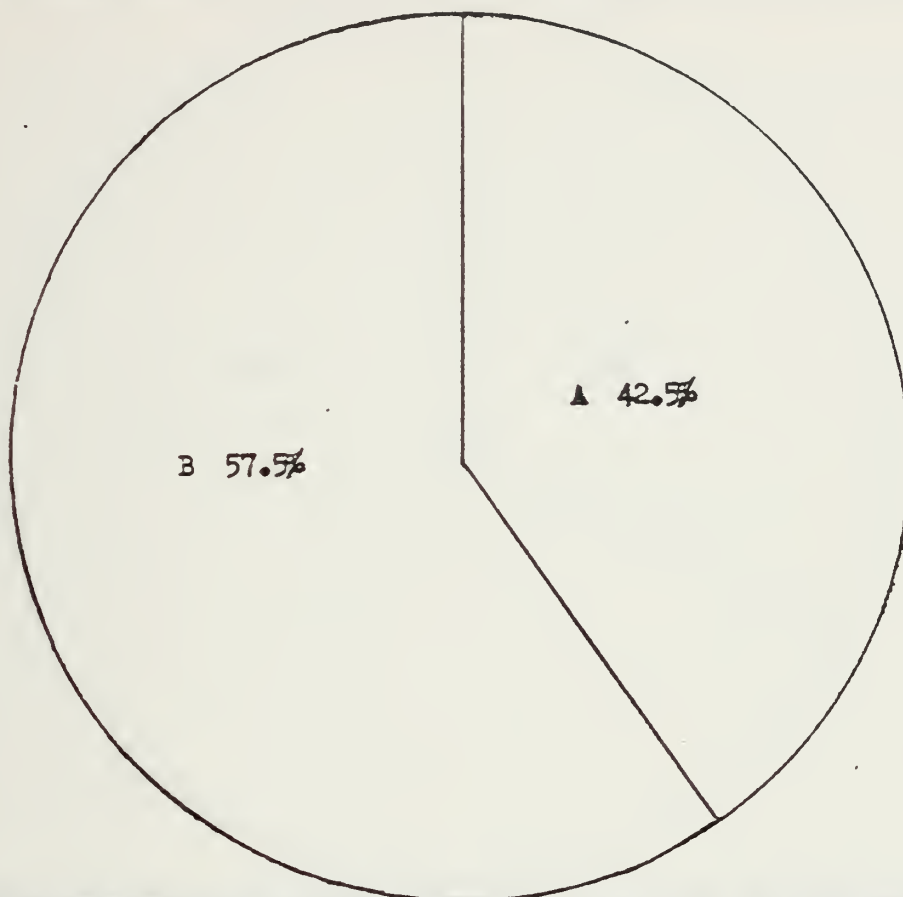
DELAYS IN MCAS PRINTOUTS CAUSE ADDITIONAL ACCOUNTING/BOOKKEEPING EFFORTS

Total Number of Activities for Which Responses Were Submitted: 195

Breakdown of Responses:

	<u>NR</u>	<u>%</u>
A. Yes.....	60	30.8
B. No.....	135	69.2
Total.....	195	100.0

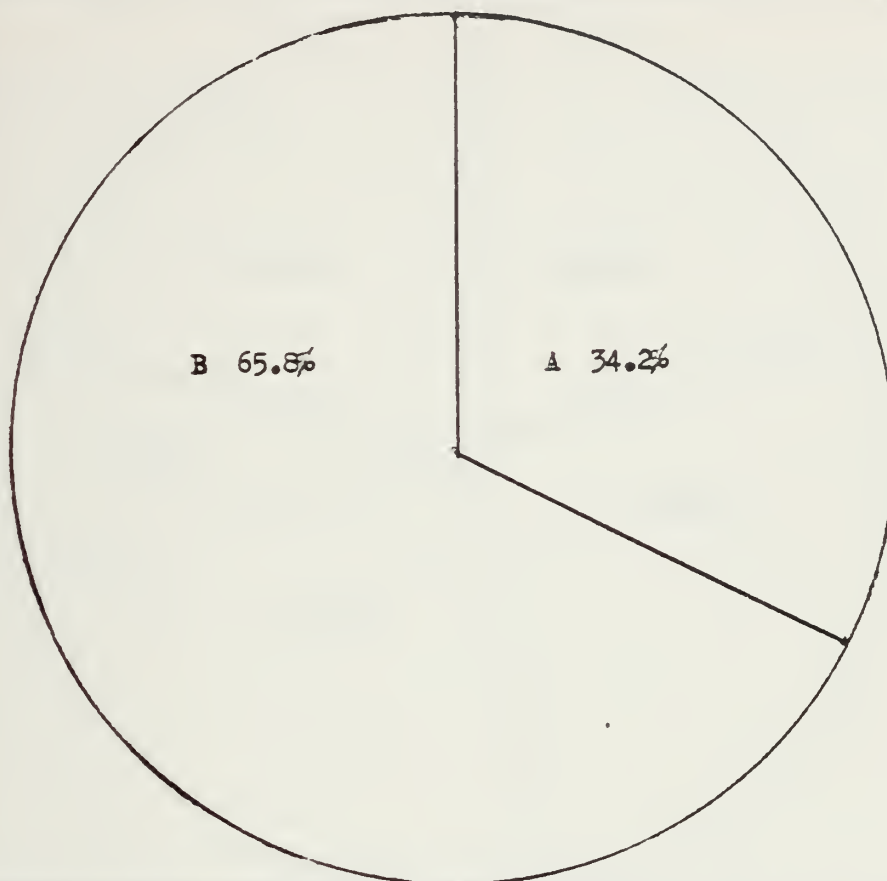
Exhibit III-27. Whether or Not Delays in MCAS Printouts Cause Additional Accounting/Bookkeeping Efforts



DELAYS IN RCAS PRINTOUTS CAUSE ADDITIONAL ACCOUNTING/BOOKKEEPING EFFORTS

Total Number of Activities for Which Responses Were Submitted:		80
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Yes.....	34	42.5
B. No.....	46	57.5
Total.....	80	100.0

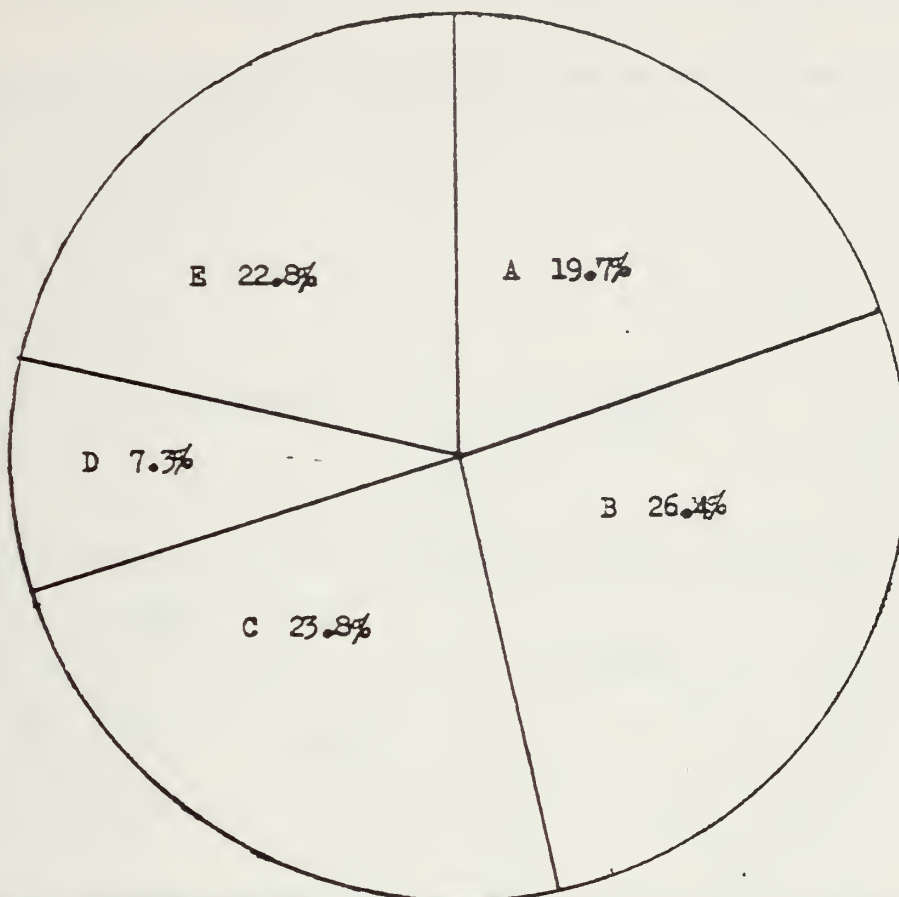
Exhibit III-28. Whether or Not Delays in RCAS Printouts Cause Additional Accounting/Bookkeeping Efforts



DELAYS IN MCAS PRINTOUTS CAUSE ADDITIONAL ACCOUNTING/BOOKKEEPING EFFORTS

Total Number of Activities for Which Responses Were Submitted:		275
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Yes.....	94	34.2
B. No.....	181	65.8
Total.....	275	100.0

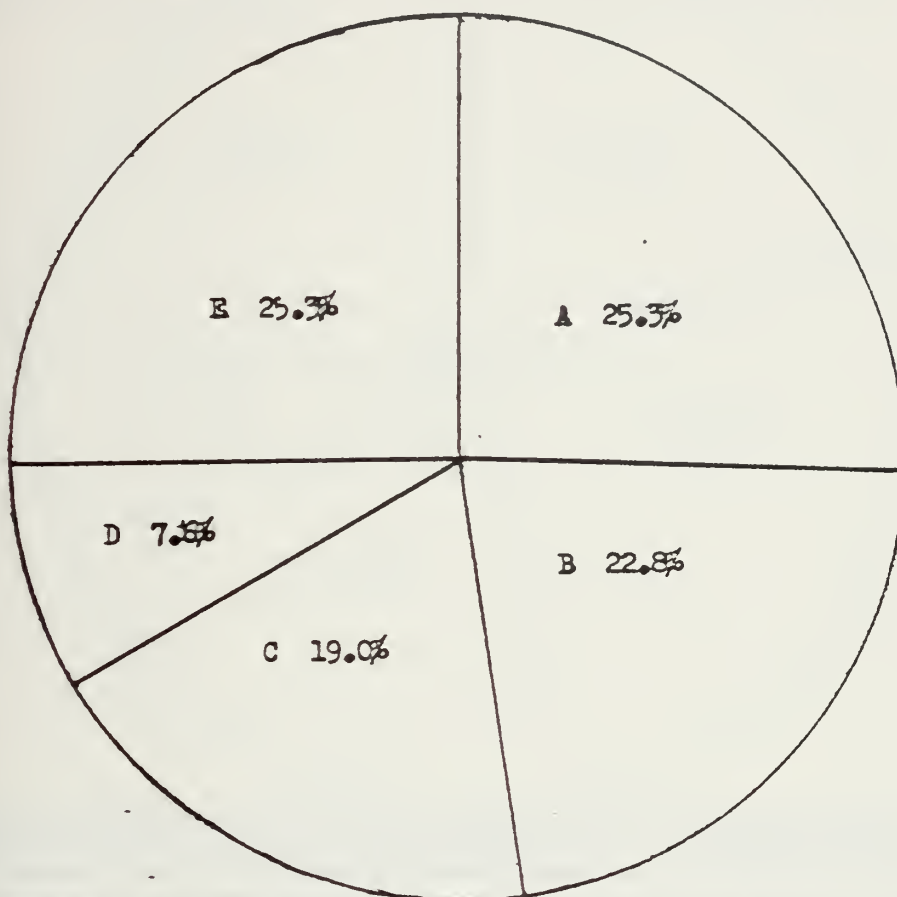
Exhibit III-29. Whether or Not Delays in MCAS and RCAS Printouts Cause Additional Accounting/Bookkeeping Efforts



EXTENT TO WHICH MCAS HAS REDUCED LOCAL BOOKKEEPING REQUIREMENTS

Total Number of Activities for Which Responses Were Submitted:		193
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Has greatly reduced previously existing book-keeping requirements.....	38	19.7
B. Has partially reduced previous bookkeeping requirements.....	51	26.4
C. No visible change from previous requirements.....	46	23.8
D. Has increased bookkeeping requirements.....	14	7.3
E. Cannot state with certainty the effects which MCAS has had on local bookkeeping requirements.....	44	22.8
Total.....	193	100.0

Exhibit III-30. Extent to Which MCAS has Reduced Local Bookkeeping Requirements



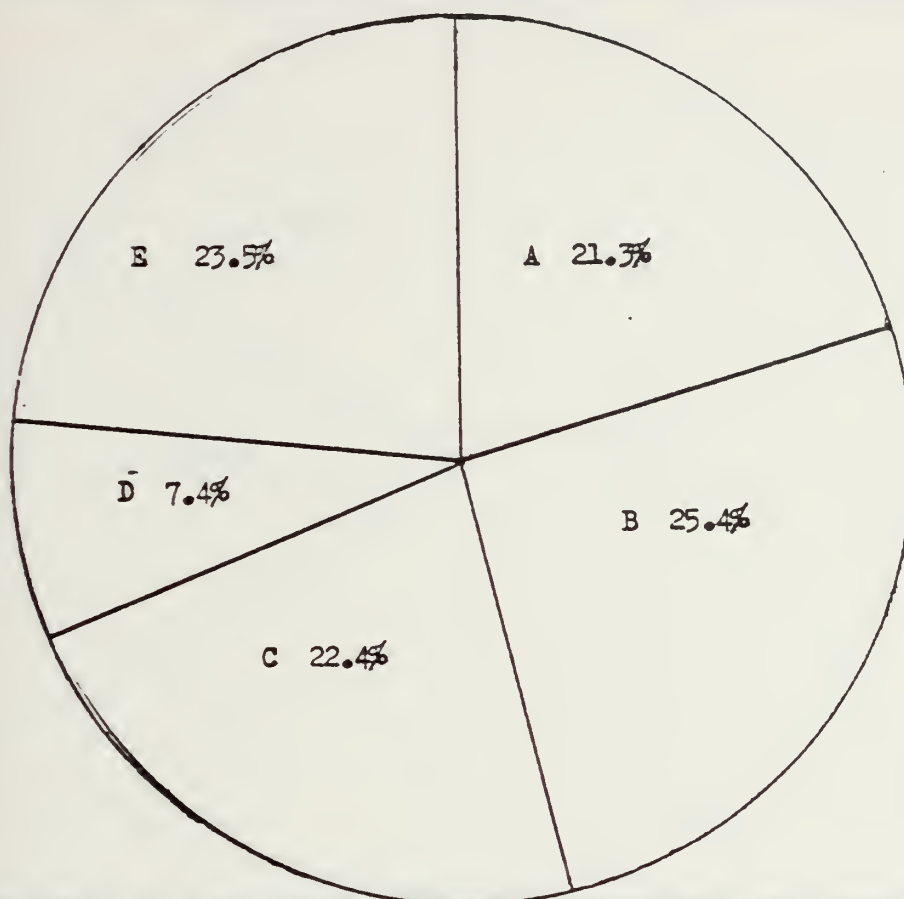
EXTENT TO WHICH RCAS HAS REDUCED LOCAL BOOKKEEPING REQUIREMENTS

Total Number of Activities for Which Responses Were Submitted: 79

Breakdown of Responses: NR %

A. Has greatly reduced previously existing book-keeping requirements.....	20	25.3
B. Has partially reduced previous bookkeeping requirements.....	18	22.8
C. No visible change from previous requirements.....	15	19.0
D. Has increased bookkeeping requirements.....	6	7.6
E. Cannot state with certainty the effects which RCAS has had on local bookkeeping requirements.....	20	25.3
Total.....	79	100.0

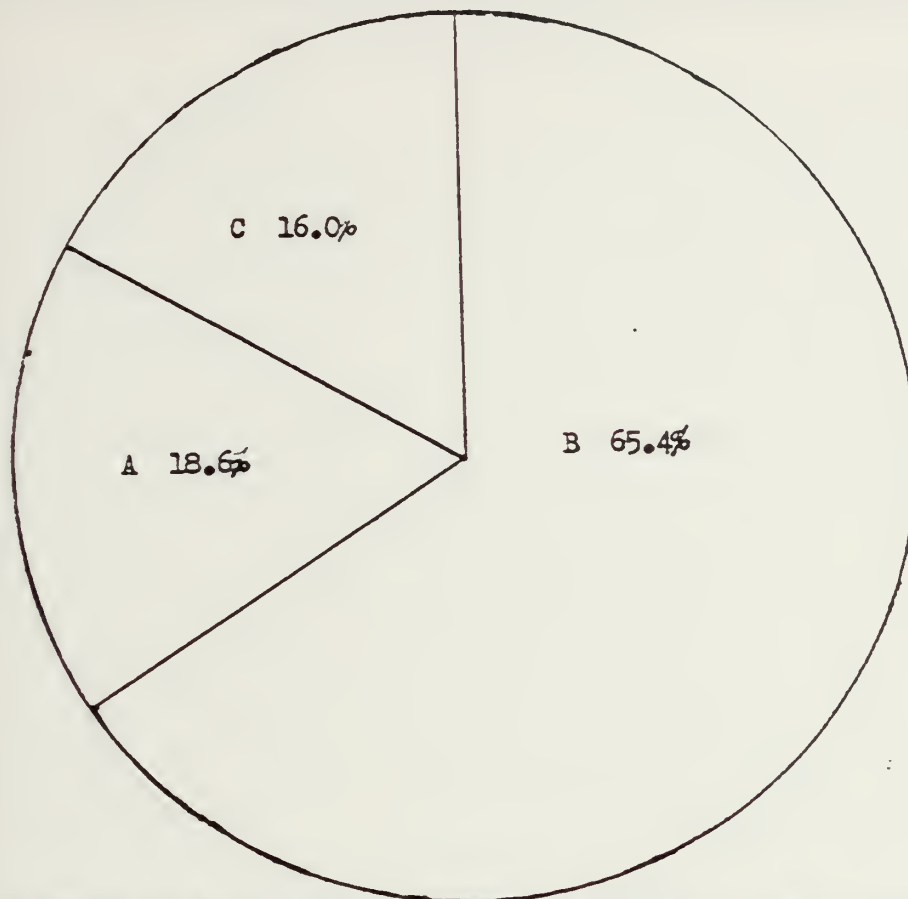
Exhibit III-31. Extent to Which RCAS has Reduced Local Bookkeeping Requirements



EXTENT TO WHICH MCAS & RCAS HAVE REDUCED LOCAL BOOKKEEPING REQUIREMENTS

Total Number of Activities for Which Responses Were Submitted:	272	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Have greatly reduced previously existing book-keeping requirements.....	58	21.3
B. Have partially reduced previous bookkeeping requirements.....	69	25.4
C. No visible change from previous requirements.....	61	22.4
D. Have increased bookkeeping requirements.....	20	7.4
E. Cannot state with certainty the effects which MCAS and RCAS have had on local bookkeeping requirements	64	23.5
Total.....	272	100.0

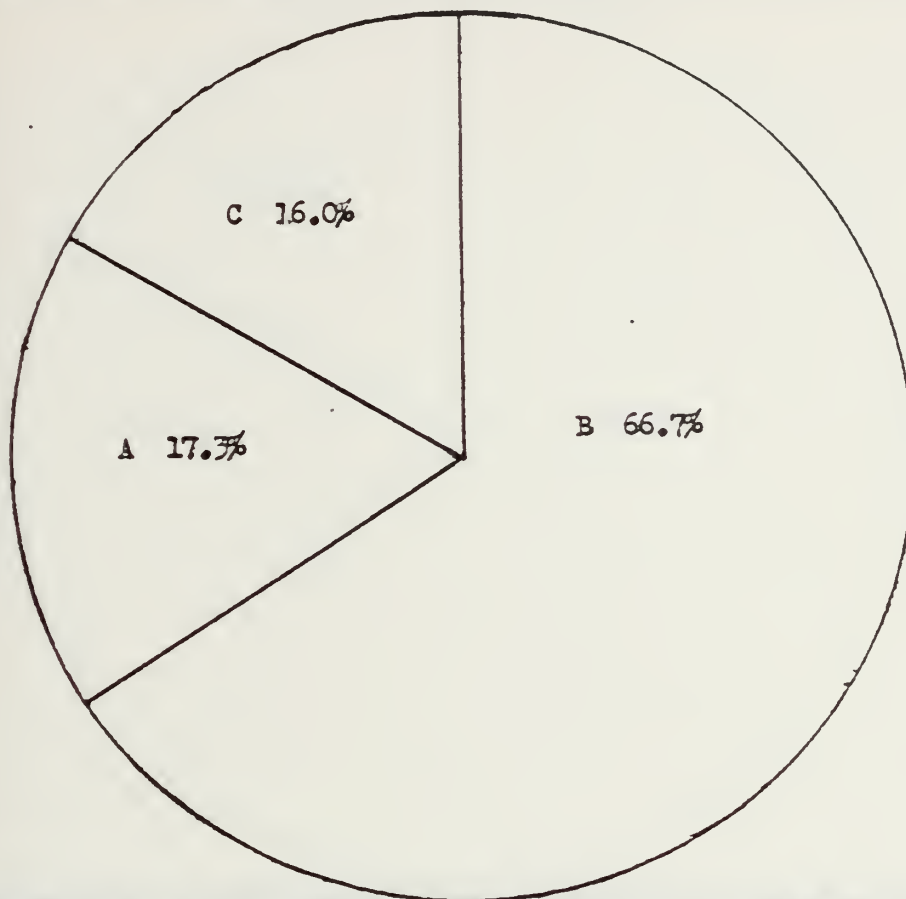
Exhibit III-32. Extent to Which MCAS and RCAS Have Reduced Local Bookkeeping Requirements



IMPLEMENTATION OF MCAS HAS REDUCED THE NUMBER OF ACCOUNTING PERSONNEL

Total Number of Activities for Which Responses Were Submitted:		194
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Yes.....	36	18.6
B. No.....	127	65.4
C. Not Sure.....	31	16.0
Total.....	194	100.0

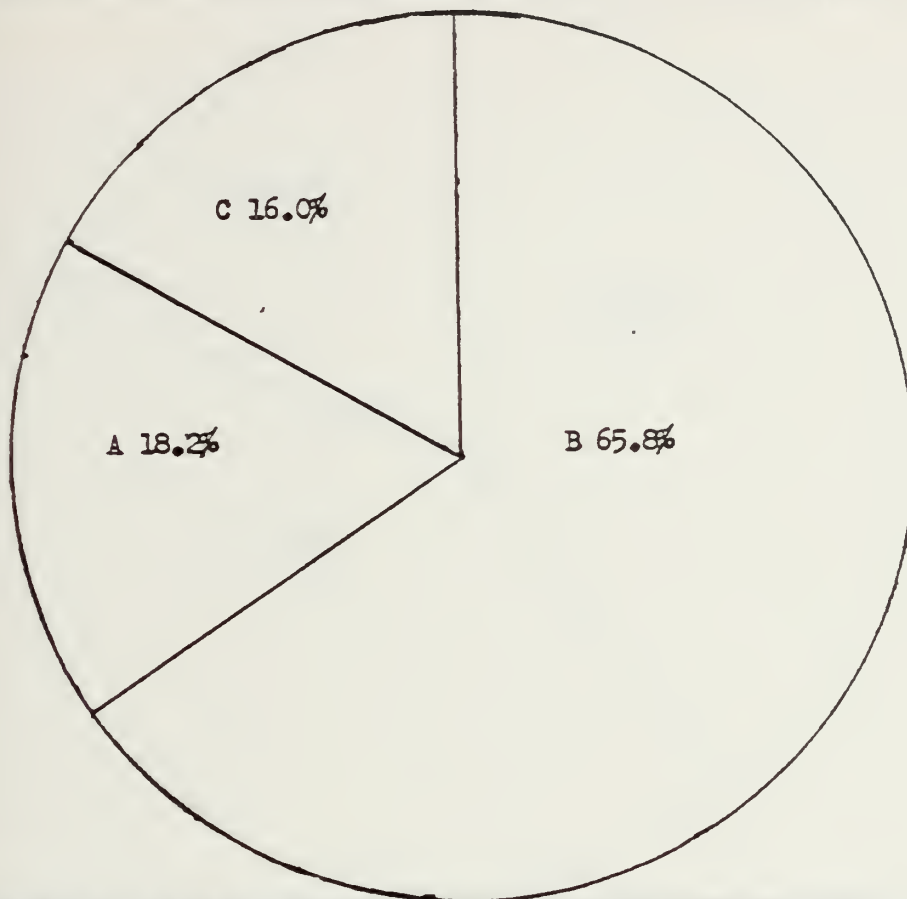
Exhibit III-33. Whether or Not the Implementation of MCAS has Reduced the Number of Accounting Personnel at the Local Level



IMPLEMENTATION OF RCAS HAS REDUCED THE NUMBER OF ACCOUNTING PERSONNEL

Total Number of Activities for Which Responses Were Submitted:		81
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Yes.....	14	17.3
B. No.....	54	66.7
C. Not Sure.....	13	16.0
Total.....	81	100.0

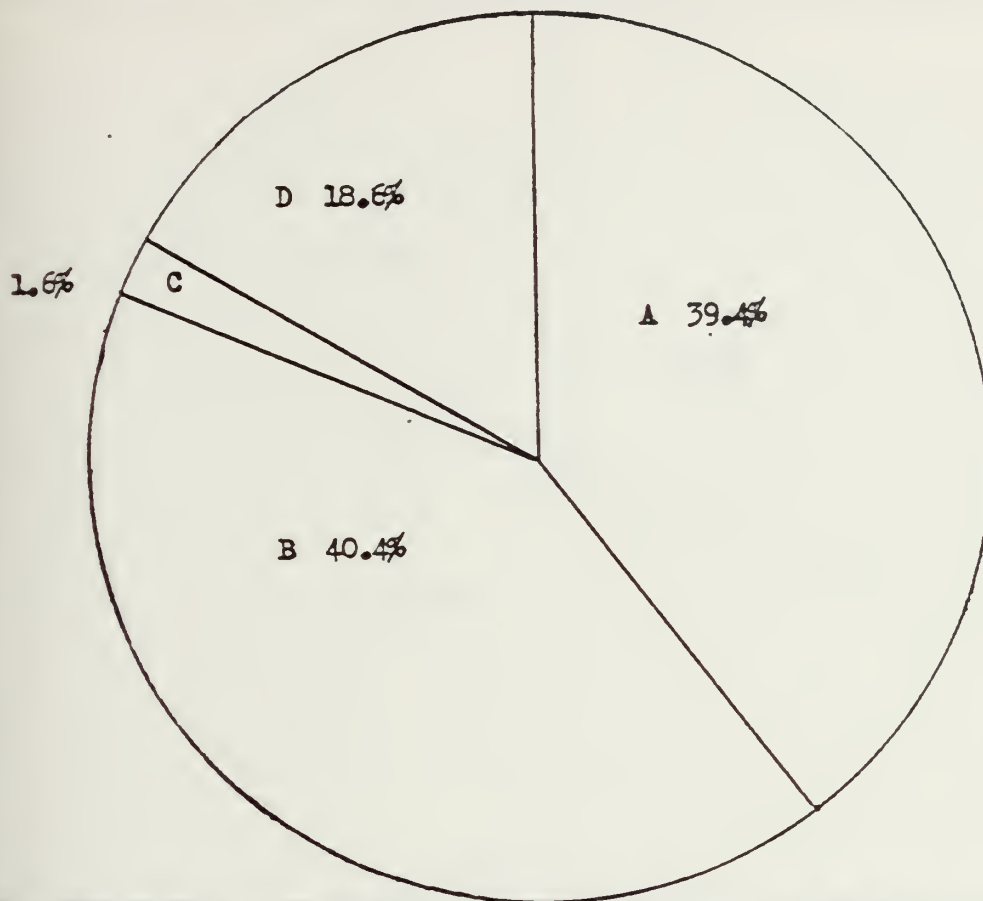
Exhibit III-34. Whether or Not the Implementation of RCAS has Reduced the Number of Accounting Personnel at the Local Level



IMPLEMENTATION OF MCAS&RCAS HAVE REDUCED THE NUMBER OF ACCOUNTING PERSONNEL

Total Number of Activities for Which Responses Were Submitted:		275
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Yes.....	50	18.2
B. No.....	181	65.8
C. Not Sure.....	44	16.0
Total.....	275	100.0

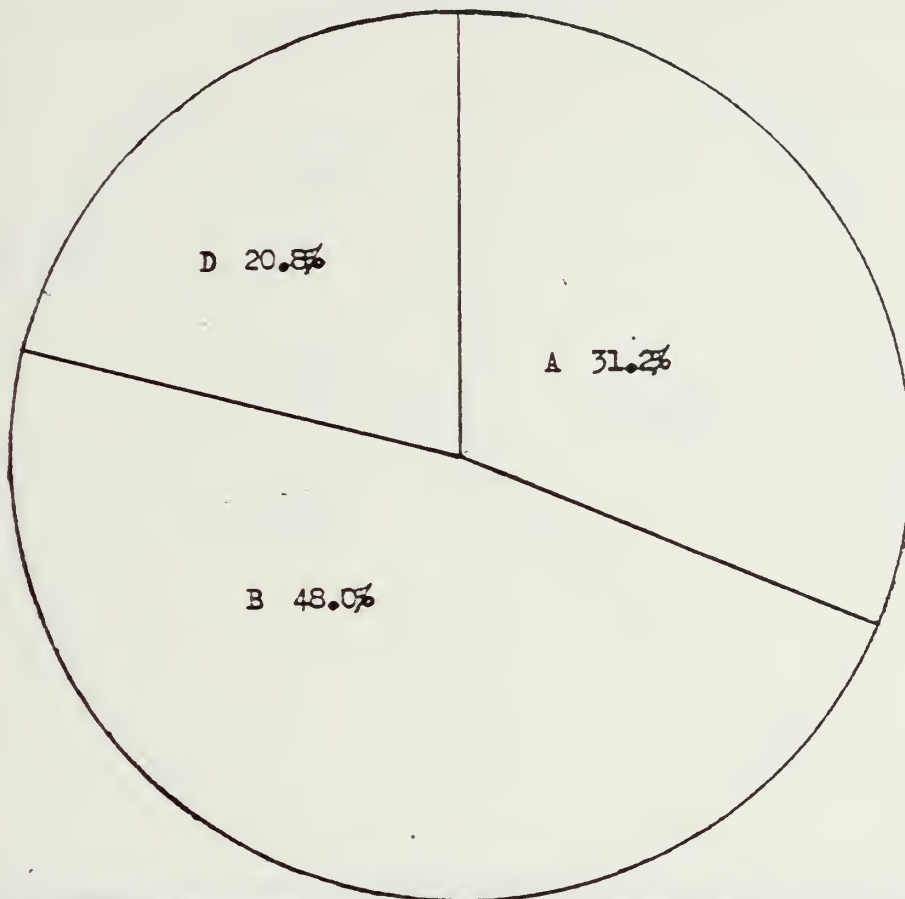
Exhibit III-35. Whether or Not the Implementation of MCAS and RCAS Have Reduced the Number of Accounting Personnel at the Local Level



IMPACT OF CENTRALIZED/CONCENTRATION BANKING SERVICES ON ADMINISTRATIVE
WORKLOADING OF MCAS ACTIVITIES

Total Number of Activities for Which Responses Were Submitted:	183	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Yes, workloading has been reduced.....	72	39.4
B. No significant change in workloading.....	74	40.4
C. There has been an increase in administrative work- loading.....	3	1.6
D. Not sure.....	34	18.6
Total.....	183	100.0

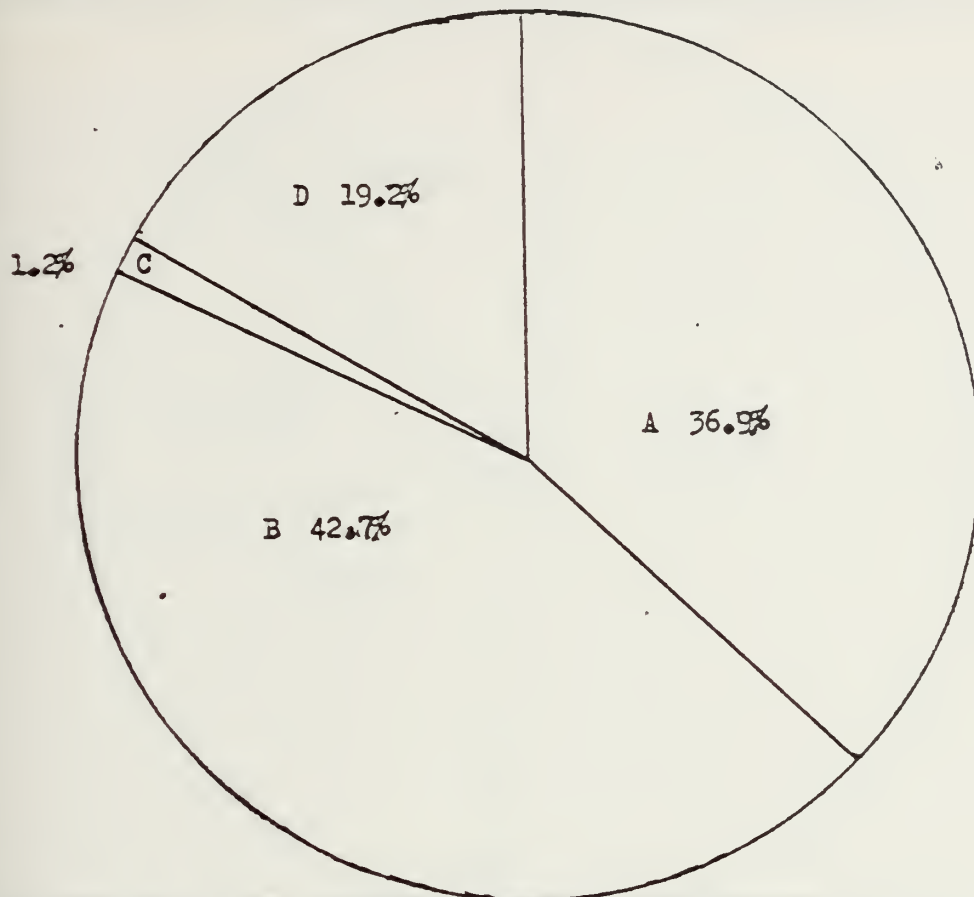
Exhibit III-36. Impact of Centralized/Concentration Banking Services on the Administrative Workloading of MCAS Activities



IMPACT OF CENTRALIZED/CONCENTRATION BANKING SERVICES ON ADMINISTRATIVE
WORKLOADING OF RCAS ACTIVITIES

Total Number of Activities for Which Responses Were Submitted:		77
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Yes, workloading has been reduced.....	24	31.2
B. No significant change in workloading.....	37	48.0
C. There has been an increase in administrative work- loading.....	0	0.0
D. Not sure.....	16	20.8
Total.....	77	100.0

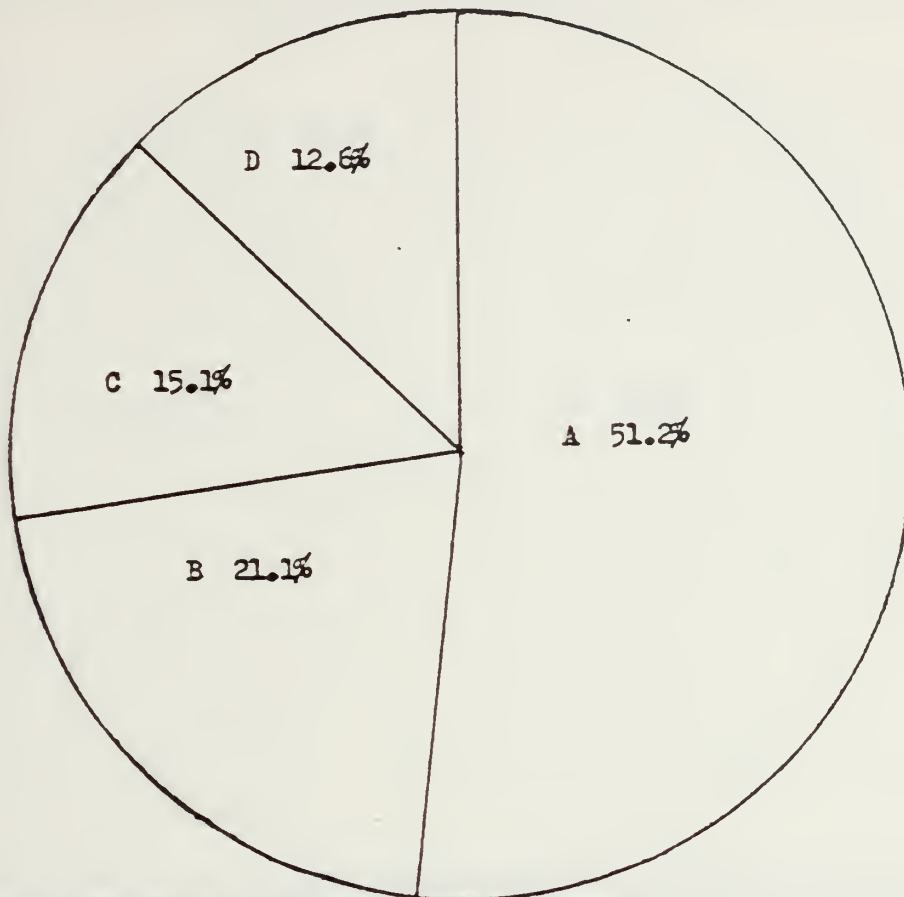
Exhibit III-37. Impact of Centralized/Concentration Banking Services on Administrative Workloading of RCAS Activities



COMBINED IMPACT OF CENTRALIZED/CONCENTRATION BANKING SERVICES ON ADMINISTRATIVE WORKLOADING OF MCAS AND RCAS ACTIVITIES

Total Number of Activities for Which Responses Were Submitted:	260
Breakdown of Responses:	<u>NR</u> <u>%</u>
A. Yes, workloading has been reduced.....	96 36.9
B. No significant change in workloading.....	111 42.7
C. There has been an increase in administrative workloading.....	3 1.2
D. Not sure.....	50 19.2
Total.....	260 100.0

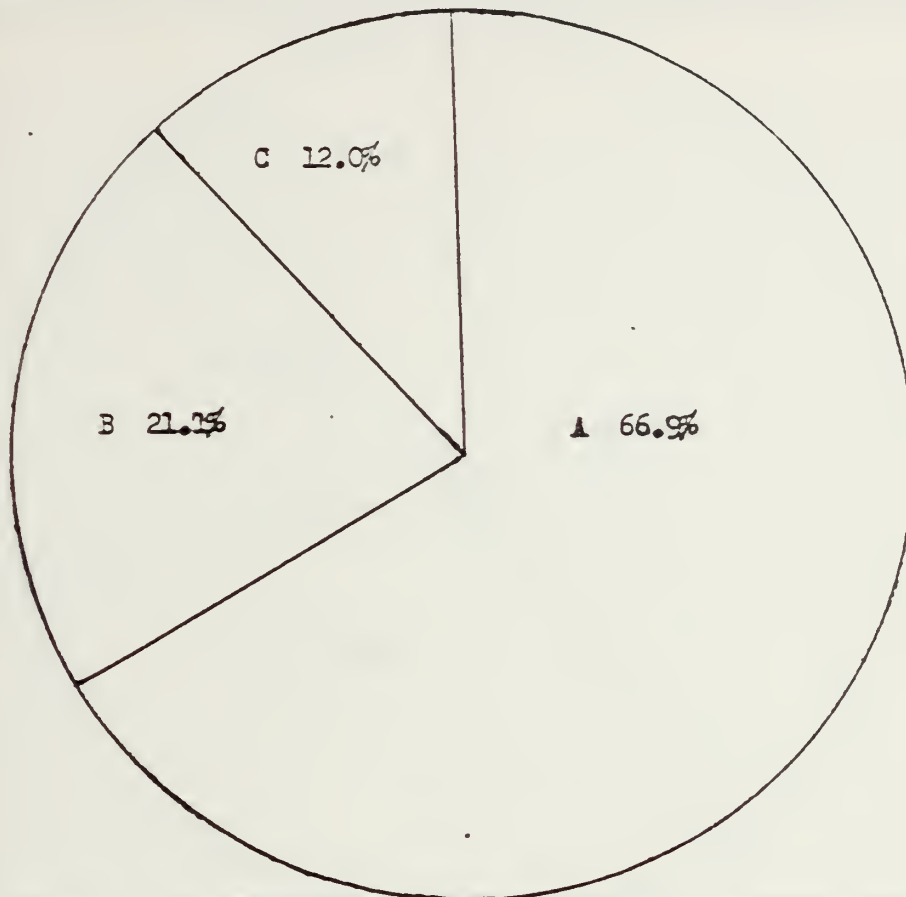
Exhibit III-38. Combined Impact of Centralized/Concentration Banking Services on the Administrative Workloading of MCAS and RCAS Activities



EXTENT TO WHICH TOUCH-PAY PAYROLL SYSTEM HAS EASED THE CLERICAL BURDENS
OF PAYROLL ACCOUNTING AT MCAS AND RCAS ACTIVITIES

Total Number of Activities for Which Responses Were Submitted:	166	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Has greatly reduced the clerical burdens associated with payroll accounting.....	85	51.2
B. Has slightly reduced the clerical burdens of payroll accounting.....	35	21.1
C. Has increased the clerical burdens of payroll accounting.....	25	15.1
D. Not sure.....	21	12.6
Total.....	166	100.0

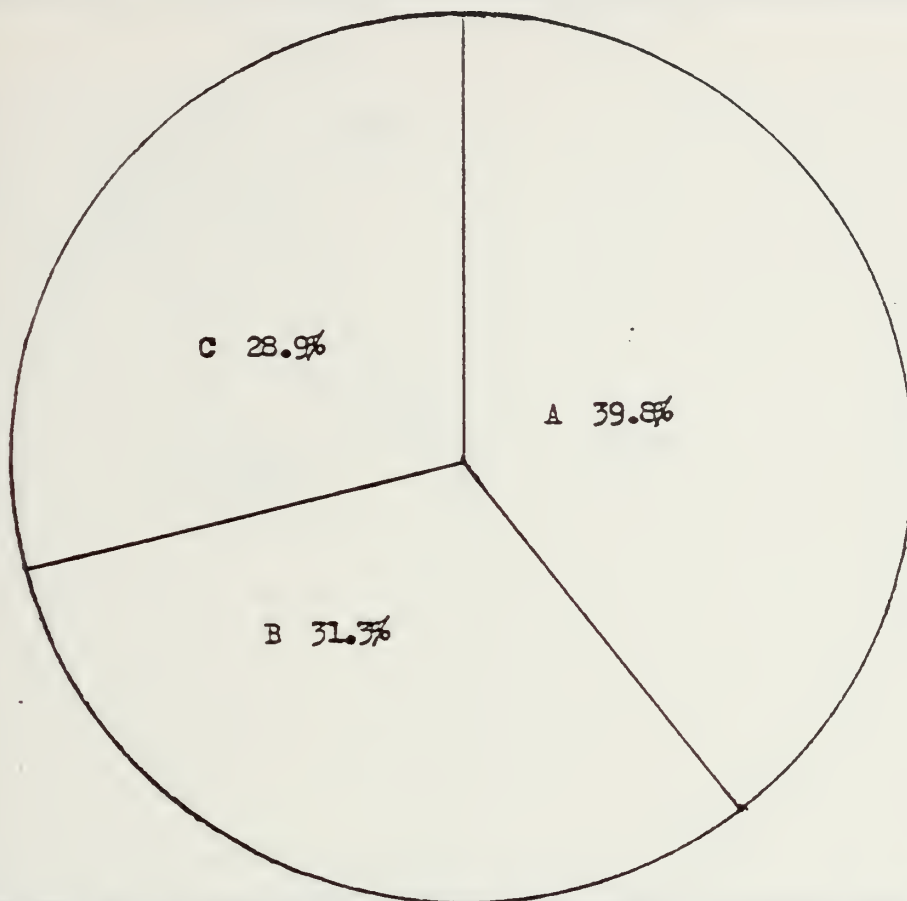
Exhibit III-39. Extent to Which the Touch-Pay Payroll Accounting System has Eased the Clerical Burdens of Payroll Accounting Among MCAS & RCAS Activities



WHETHER OR NOT THE TOUCH-PAY PAYROLL ACCOUNTING SYSTEM HAS GREATLY REDUCED
ACCOUNTING EFFORTS ASSOCIATED WITH YEAR-END W-2 FORM PREPARATION

Total Number of Activities for Which Responses Were Submitted:		166
Breakdown of Responses:		
	<u>NR</u>	<u>%</u>
A. Yes.....	111	66.9
B. No.....	35	21.1
C. Not sure.....	20	12.0
Total.....	166	100.0

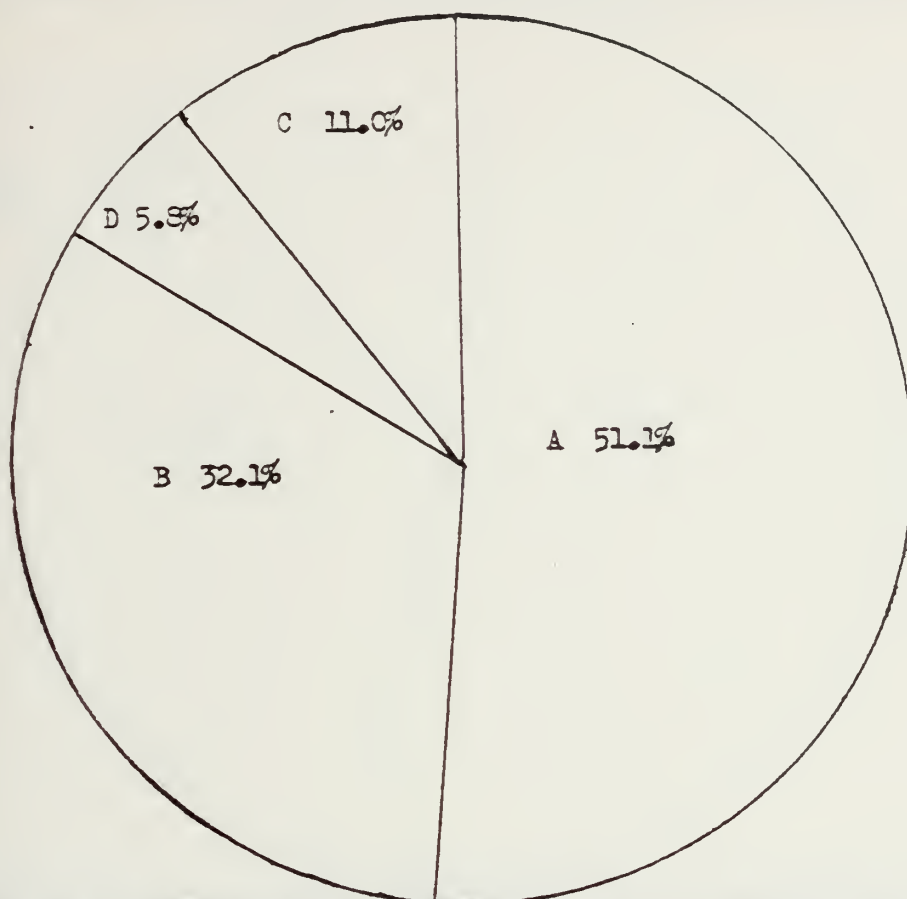
Exhibit III-40. Whether or Not the Touch-Pay Payroll Accounting System has Greatly Reduced Accounting Efforts Associated with Year-End W-2 Form Preparation



WHETHER OR NOT THE TOUCH-PAY SYSTEM HAS SIGNIFICANTLY REDUCED THE ACCOUNTING/ADMINISTRATIVE BURDENS OF PUBLIC LAW 92392 /DOD WAGE POLICY GUIDELINES

Total Number of Activities for Which Responses Were Submitted:	166	
Breakdown of Responses:	<u>NR</u>	<u>%</u>
A. Yes.....	66	39.8
B. No.....	52	31.3
C. Not sure.....	48	28.9
Total.....	166	100.0

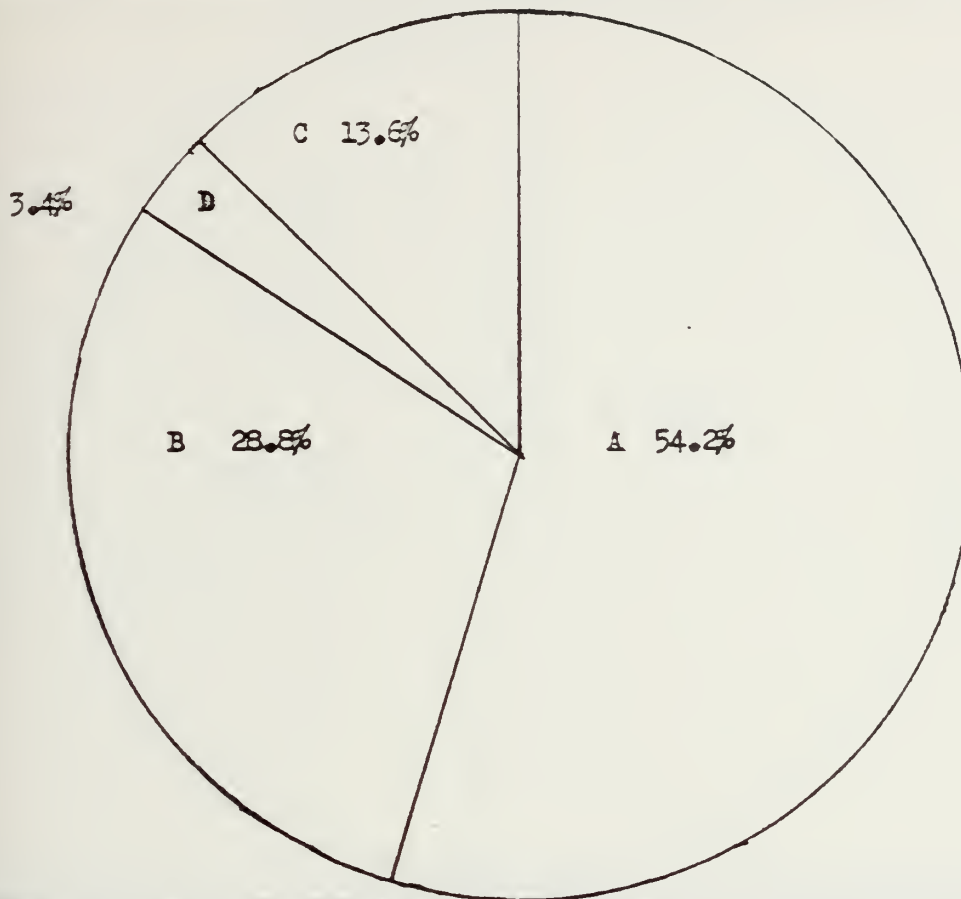
Exhibit III-41. Whether or Not the Touch-Pay Payroll Accounting System has Significantly Reduced the Accounting/Administrative Burdens of Public Law 92392/DOD Wage Policy Guidelines



EXTENT TO WHICH CENTRALIZED ACCOUNTING, BANKING, AND PAYROLL SERVICES
PROVIDED BY NAFAS HAVE CONTRIBUTED TO/DETRACTED FROM MANAGEMENT FLEXIBILITY
OF MCAS ACTIVITIES

Total Number of Activities for Which Responses Were Provided:	137
Breakdown of Responses:	<u>NR</u> <u>%</u>
A. NAFAS services have significantly contributed to management flexibility.....	70 51.1
B. Management flexibility has been slightly increased..	44 32.1
C. Management flexibility has been slightly reduced..	15 11.0
D. Management flexibility has been greatly reduced...	8 5.8
Total.....	137 100.0

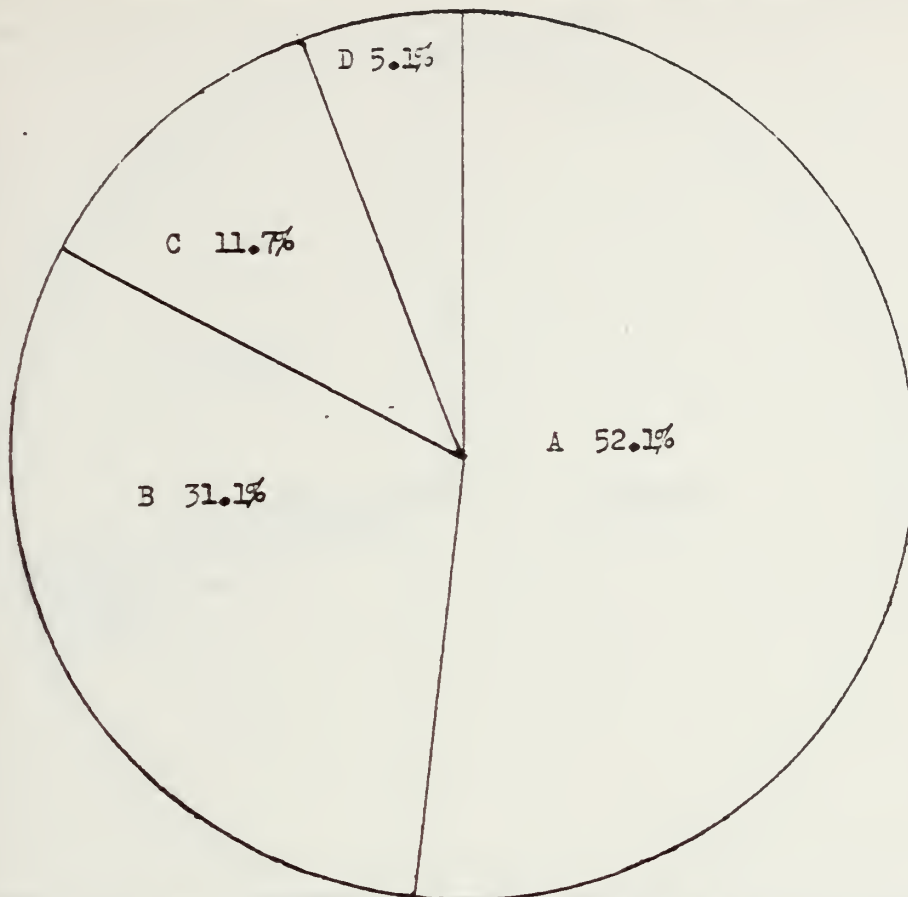
Exhibit III-42. Extent to Which Centralized Accounting, Banking, and Payroll Services Provided by NAFAS Have Contributed to/Detracted from the Management Flexibility of MCAS Activities



EXTENT TO WHICH CENTRALIZED ACCOUNTING, BANKING, AND PAYROLL SERVICES
PROVIDED BY NAFAS HAVE CONTRIBUTED TO/DETRACTED FROM MANAGEMENT FLEXIBILITY
OF RCAS ACTIVITIES

Total Number of Activities for Which Responses Were Submitted:			59
Breakdown of Responses:			
	<u>NR</u>	<u>%</u>	
A. NAFAS services have significantly contributed to management flexibility.....	32	54.2	
B. Management flexibility has been slightly increased.	17	28.8	
C. Management flexibility has been slightly reduced...	8	13.6	
D. Management flexibility has been greatly reduced....	2	3.4	
Total.....	59	100.0	

Exhibit III-43. Extent to Which Centralized Accounting, Banking, and Payroll Services Provided by NAFAS have Contributed to/Detracted from the Management Flexibility of RCAS Activities



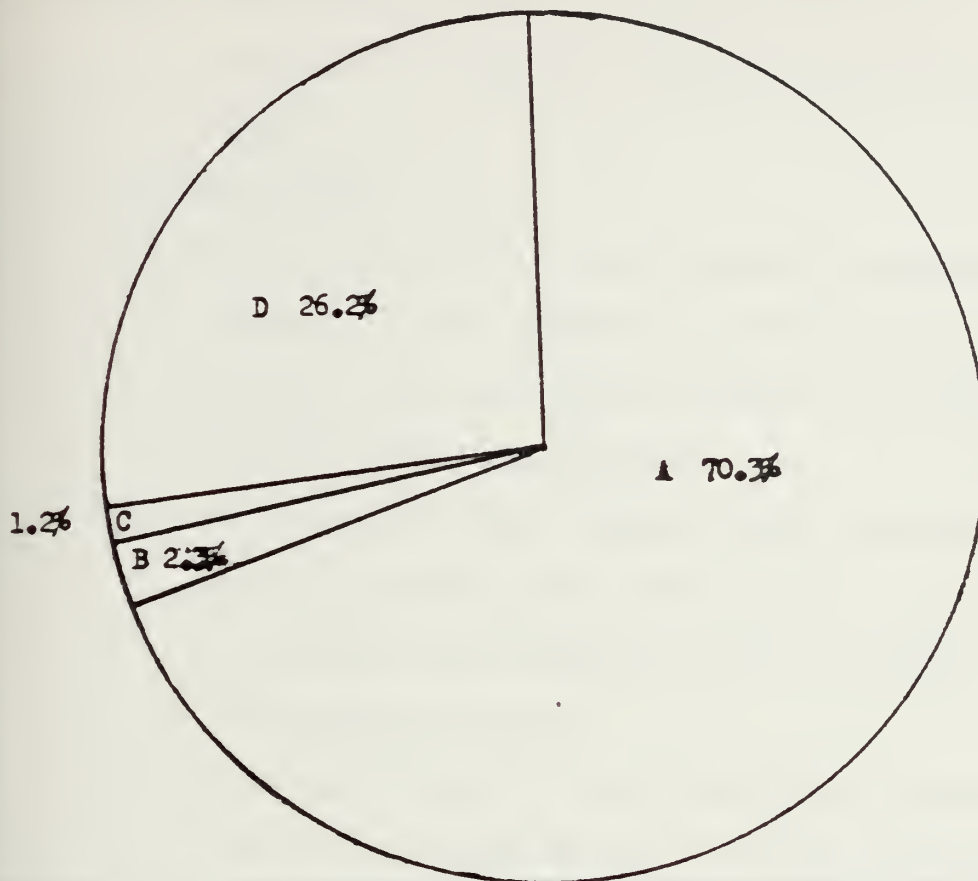
EXTENT TO WHICH CENTRALIZED ACCOUNTING, BANKING, AND PAYROLL SERVICES

PROVIDED BY NAFAS HAVE CONTRIBUTED TO/DETRACTED FROM MANAGEMENT FLEXIBILITY

OF MCAS AND RCAS ACTIVITIES

Total Number of Activities for Which Responses Were Submitted:	196
Breakdown of Responses:	<u>NR</u> <u>%</u>
A. NAFAS services have significantly contributed to management flexibility.....	102 52.1
B. Management flexibility has slightly increased.....	61 31.1
C. Management flexibility has been slightly reduced...	23 11.7
D. Management flexibility has been greatly reduced....	10 5.1
Total.....	196 100.0

Exhibit III-44. Extent to Which Centralized Accounting, Banking, and Payroll Services Provided by NAFAS have Contributed to/Detracted From Management Flexibility of MCAS and RCAS Activities



**FREQUENCY OF BANK RECONCILIATIONS PRIOR TO IMPLEMENTATION OF CENTRALIZED
BANKING PROCEDURES**

Total Number of Activities for Which Responses Were Submitted:		256
Breakdown of Responses:		<u>NR</u> <u>%</u>
A. Monthly.....	180	70.3
B. Less often than monthly.....	6	2.3
C. Never.....	3	1.2
D. Not sure.....	67	26.2
Total.....	256	100.0

Exhibit III-45. Frequency of Bank Reconciliations Prior to the Implementation of Centralized Banking Procedures

1. Efficiency

- a. Timeliness of MCAS and RCAS reporting.
- b. Accuracy of financial statements provided by NAFAS.

2. Effectiveness

- a. The extent to which the financial management information and guidance provided by NAFAS have assisted field activity managers in planning and managing their operations.
- b. The extent to which centralized accounting and banking services have contributed to reductions in personnel and administrative overhead at the field activity level.
- c. The effectiveness of the Touch PAY payroll accounting system from the perspective of field activity subscribers to the system.
- d. The extent to which existing accounting, banking, and payroll procedures have contributed to or inhibited management flexibility at the field activity level.

The exhibits contained in Section B of this chapter were purposely arranged to accommodate a sequential analysis of the above topics. Exhibits III-5 through III-11 address the timeliness and accuracy of MCAS and RCAS financial reporting, which are the first two topics listed above. Exhibits III-12 through III-26 are used to draw conclusions about the extent

to which the financial management information and guidance provided by NAFAS have assisted field activity managers in planning and management of their operations. Exhibits III-27 through III-38 serve as the basis for analyzing the extent to which centralized accounting and banking procedures have contributed to reductions in personnel and administrative workloading. The author's analysis of Touch Pay payroll accounting is predicated on Exhibits III-39 through III-41. Lastly, Exhibits III-42 through III-44 are used to draw conclusions about the impact of MCAS and RCAS on the management flexibility at the field activity level.

In the paragraphs that follow, reader familiarity with the underlying concepts and limitations of statistical analysis and probability theory is assumed. In all cases, the applicable formula which is used in drawing statistical inferences about the entire population of MWR field activities is given. In a few instances, amplifying comments are made purely as a refresher for those with prior experience in statistical analysis.

The first major area to be addressed is that of efficiency which, as previously discussed, is to be analyzed in terms of the timeliness and accuracy of MCAS and RCAS accounting reports. Response data associated with the timeliness of MCAS and RCAS reporting are contained in Exhibits III-5 through III-8 and are summarized as follows:

1. MCAS Activities

a. Of the 195 MCAS activities for which responses to question number one of the author's survey were submitted, the average number of days that it takes each activity to prepare and forward end-of-the-month accounting source documents to NAFAS is 4.68 days. The standard deviation or "spread" of those surveyed was 2.34 days.

b. Of the MCAS activities which were represented in the survey, the average number of days which elapse following the end of each accounting period prior to physically receiving monthly financial statements from NAFAS is 16.88 days with a standard deviation of 5.27 days.

c. By subtracting A from B (16.88 days - 4.68 days), the average time which elapses between the mailing of end-of-the-month accounting source documents and the physical receipt of financial statements from NAFAS is 12.2 days.

2. RCAS Activities

a. Of the 81 RCAS activities for which responses to question number one were submitted, the average number of days that it takes each activity to prepare and forward end-of-the-month accounting source documents to NAFAS is 4.05 days with a standard deviation of 2.62 days.

b. Of those same 81 activities, the number of days which elapse following the end of each accounting period prior to the physical receipt of monthly financial statements from NAFAS were, on the average, reported to be 18.96 days with a standard deviation of 5.27 days.

c. Subtracting A from B (18.96 days - 4.05 days), the average time which elapses between the mailing of end-of-the-month accounting source documents and the physical receipt of financial statements from NAFAS is 14.91 days.

In computing the sample mean and sample standard deviation of the data presented in Exhibits III-5 through III-8, the following statistical formulas were used:

1. Formula Number One

a. Formula for Sample Mean:

$$\bar{X} = \frac{1}{n} \sum_{i=1}^n X_i$$

Where:

\bar{X} = sample mean

N = number of observations in sample (sample size)

$$\sum_{i=1}^n X_i = \text{summation of each observation (e.g., } X_1 + X_2 + X_3 \dots X_n)$$

2. Formula Number Two

a. Formula for standard deviation:

$$S = \sqrt{\frac{1}{n-1} \sum_{i=1}^n (X_i - \bar{X})^2}$$

Where:

s = standard deviation

n = number of observations (sample size)

$$\sum_{i=1}^n (X_i - \bar{X})^2 = \text{the sum of the squared deviations between the sample mean and the value of each observation within the sampled population}$$

While the previously computed sample means and sample standard deviations provide insights as to the timeliness of MCAS and RCAS reporting, their primary value for the purposes of this analysis is to serve as a basis for estimating, with 95 percent confidence, the respective population means of all MCAS and all RCAS activities currently participating in the centralized accounting and banking system. In this instance, a 95 percent confidence interval (interval estimate) for the mean of entire population of all MCAS and all RCAS activities can be constructed using the following formula:

1. Formula Number Three

$$u = \bar{X} + 1.96 \frac{S}{\sqrt{n}}$$

Where:

u = the mean of the entire population of all MCAS
or all RCAS activities, as applicable

\bar{X} = sample mean

S = sample standard deviation

n = sample size

1.96 = standardized normal cumulative probability for
95 percent confidence interval taken from
standard probability tables

Hereafter referred to as Formula Number Three, application of the above formula to the sample means and standard deviations contained in Exhibits III-5 through III-8 enables statistical inferences (estimates) to be made about the respective populations of all MCAS and all RCAS activities with respect to the timeliness of NAFAS reporting. In this instance, it can be stated with 95 percent confidence that:

1. For the entire population of all MCAS activities, the average number of days that it takes each activity to prepare and forward end-of-the-month accounting source documents to NAFAS lies somewhere in the interval 4.35-5.01 days. (e.g., $4.68 \pm .33$ days)

2. For the entire population of all MCAS activities, the average number of days which elapse following the end of each accounting period prior to physically receiving monthly financial statements from NAFAS lies in the interval 16.14-17.62 days.

3. For the entire population of all MCAS activities, the average time which elapses between the mailing of end-of-the-month accounting source documents and the physical receipt of financial statements from NAFAS lies in the interval 11.13-13.27 days.

4. For the entire population of all RCAS activities, the average number of days that it takes each activity to prepare and forward end-of-the-month accounting source documents to NAFAS lies somewhere in the interval 3.48-4.62 days.

5. For the entire population of all RCAS activities, the average number of days which elapse following the end of each accounting period prior to physically receiving monthly financial statements from NAFAS lies in the interval 17.81-20.11 days.

6. For the entire population of all RCAS activities, the average time which elapses between the mailing of end-of-the-month accounting source documents and the physical receipt of

financial statements from NAFAS lies in the interval 13.19-16.63 days.

In drawing conclusions from the above confidence intervals, it should be remembered that they are statistical estimates based on sampled data. According to their underlying statistical theory, there is a 95 percent chance (19 to 1 odds) that, if the entire population of all MCAS or RCAS activities had responded to the author's survey, the average of all MCAS or RCAS responses to the questions posed would have fallen in the above intervals. However, it should also be remembered that there is a 5% chance that the average of all MCAS or RCAS activity responses might not fall within these intervals. Though small, this risk should be recognized.

With very few exceptions, 95 percent confidence intervals are used exclusively in this study in making statistical inference about the separate or combined populations of all MCAS and RCAS activities. A strong argument for their use is given by the fact that they ignore traditional popularity among statisticians and pollsters, which can be corroborated by consulting almost any basic statistics text.

In addition to the 5 percent risk factor which is inherent in the author's analysis, there exists the even larger problem of stratifying the sampled population into groupings which best facilitate meaningful and plausible analysis. In nearly all instances, stratification of the target population of all MWR field activities is not required in this study

due to the general nature of the questions which were posed in the author's survey. However, this was not believed to be the case in examining the timeliness of NAFAS reporting, in which known delays in mail deliveries both to and from overseas locations were suspected to have caused statistical distortions in the sample means contained in Exhibits II-7 and II-8 and the confidence intervals which were subsequently constructed for them. Accordingly, Exhibits II-46 through II-49 were assembled from field activity response data for the purpose of further evaluating the statistical distortions which were potentially created by the combining of all domestic and overseas activities in Exhibits II-7 and II-8.

In Exhibits II-46 and II-47, response data which were received from MCAS activities are further stratified according to whether or not they were geographically located in the continental United States (CONUS) or overseas. For the purposes of this analysis, participants located in Hawaii and Alaska were categorized as overseas activities. As shown in Exhibit III-47 the removal of overseas activities from Exhibit III-7 revealed that, on the average, surveyed activities located in CONUS actually receive their financial statements from NAFAS 15.21 days following the end of each accounting period. (1.67 days less than the sample average shown in Exhibit II-7.) More dramatically, Exhibit II-47 reveals that the average reported time of receipt for MCAS activities which are located overseas is actually 22.61 days

TOTAL CONUS RESPONSES PROVIDED: 151

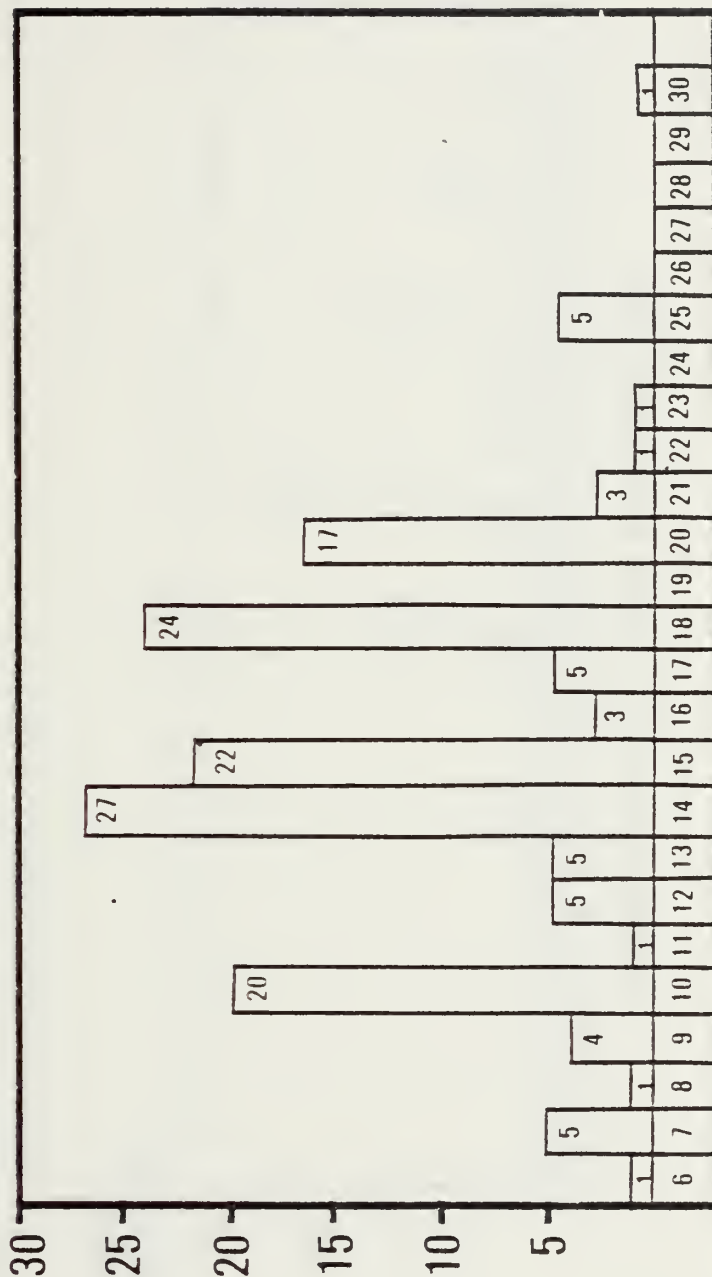
MEAN TIME OF RECEIPT AT MCAS ACTIVITIES LOCATED IN CONUS: 15.21 DAYS

STANDARD DEVIATION OF CONUS SAMPLE: 4.32 DAYS

MEDIAN OF CONUS SAMPLE: 15 DAYS

MODE OF CONUS SAMPLE: 14 DAYS

NUMBER OF RESPONSES



NUMBER OF DAYS AFTER END OF ACCOUNTING PERIOD

Exhibit III-46. Mean Time of Receipt of NAFAS Accounting Reports at MCAS Activities Located in CONUS

TOTAL OVERSEAS RESPONSES PROVIDED: 44

MEAN TIME OF RECEIPT AT MCAS ACTIVITIES LOCATED OVERSEAS SAMPLE: 4.10 DAYS

MEDIAN OF OVERSEAS SAMPLE: 21 DAYS

MODE OF OVERSEAS SAMPLE: 21 DAYS

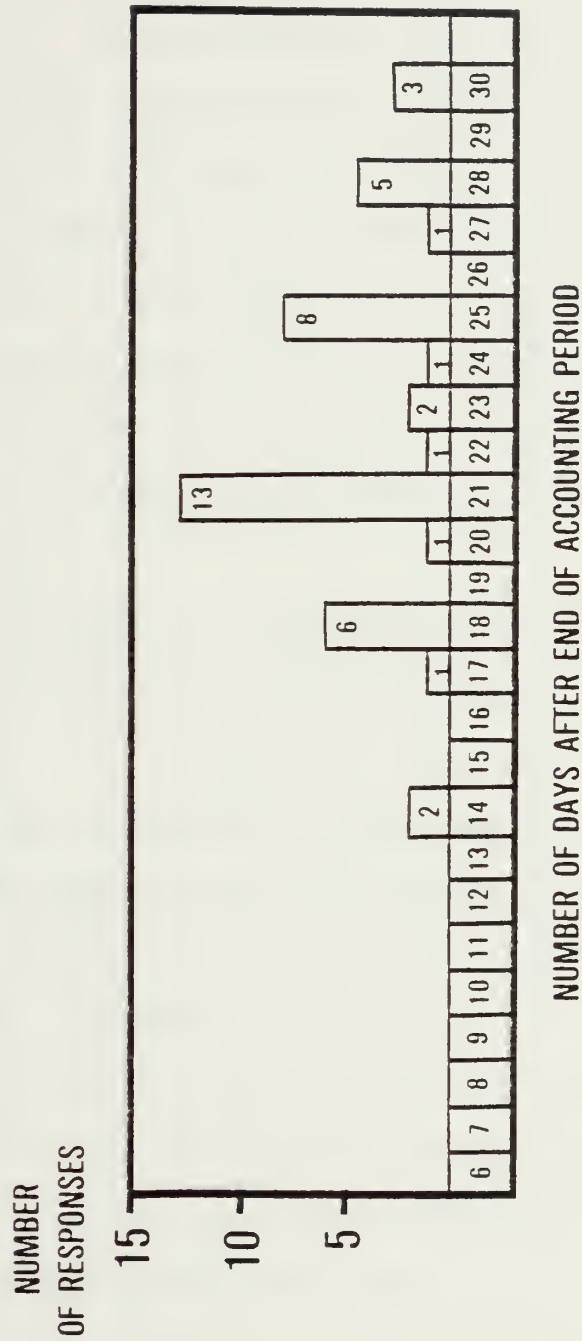


Exhibit III-47. Mean Time of Receipt of NAFAS Accounting Reports at MCAS Activities Located Overseas

(5.73 days later than the sample average shown in Exhibit III-7).

As evidenced by Exhibits III-48 and III-49, the stratification of RCAS activities by geographic location yielded nearly identical results. On the average, RCAS activities located in CONUS reportedly receive their financial statements from NAFAS 17.49 days following the end of each accounting period or 1.47 days sooner than the sample average reported in Exhibit III-8. Conversely, RCAS activities which are located overseas receive their financial statements in an average time of 23.91 days following the end of the accounting period, or 4.95 days later than the sample average reported in Exhibit III-8.

The stratification of MCAS and RCAS activities by location identified the following distortions associated with Exhibits II-7 and II-8:

1. As suspected, the combining of CONUS and overseas responses introduced an upward bias with respect to the actual time that it takes for financial statements to reach activities which are located in CONUS.

2. The combining of CONUS with overseas activities also masked the fact that overseas activities typically experience significantly greater delays in receiving their financial statements from NAFAS than CONUS activities.

Applying Formula Number Three to the stratified data contained in Exhibits III-46 and III-48, the following 95

TOTAL CONUS RESPONSES PROVIDED: 59

MEAN TIME OF RECEIPT AT RCAS ACTIVITIES LOCATED IN CONUS: 17.49 DAYS

STANDARD DEVIATION OF CONUS SAMPLE: 4.60 DAYS

MEDIAN OF CONUS SAMPLE: 18 DAYS

MODE OF CONUS SAMPLE: 15 DAYS

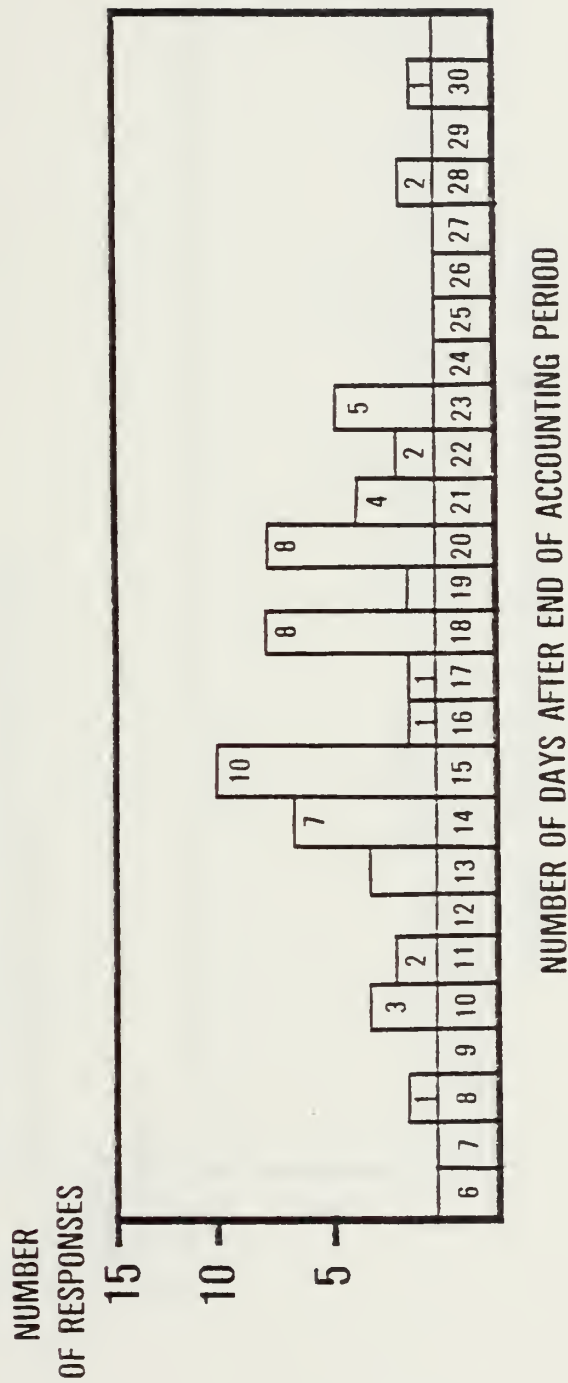


Exhibit III-48. Mean Time of Receipt of NAFAS Accounting Reports at RCAS Activities Located in CONUS

TOTAL OVERSEAS PRESPONSES PROVIDED: 22

MEAN TIME OF RECEIPT AT RCAS ACTIVITIES LOCATED OVERSEAS: 22.91 DAYS

STANDARD DEVIATION OF OVERSEAS SAMPLE: 5.00 DAYS

MEDIAN OF OVERSEAS SAMPLE: 24 DAYS

MODE OF OVERSEAS SAMPLE: 21 AND 25 DAYS

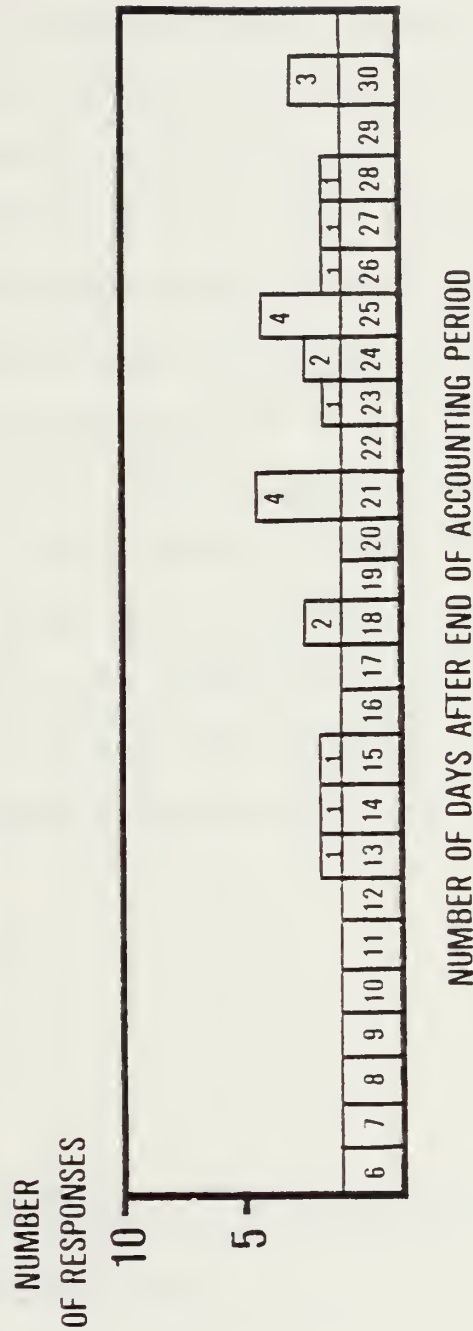


Exhibit III-49. Mean Time of Receipt of NAFAS Accounting Reports at RCAS Activities Located Overseas

percent confidence intervals can be constructed for all MCAS and all RCAS activities located in CONUS:

1. For the entire population of all MCAS activities which are located in CONUS, the average number of days which elapse following the end of each accounting period prior to physically receiving monthly financial statements from NAFAS lies somewhere in the interval 14.52-15.90 days.

2. For the entire population of all RCAS activities which are located in CONUS, the average number of days which elapse prior to physically receiving monthly financial statements from NAFAS lies somewhere in the interval 16.32-18.66 days.

Due to the relatively small numbers of overseas activities which participated in the author's survey, a modified version of Formula Number Three must be utilized in constructing statistical estimates for the respective populations of all MCAS and all RCAS activities located outside of CONUS. Hereafter referred to as Formula Number Four, the following applies:

1. Formula Number Four

$$u = \bar{X} + t_{.025} \frac{S}{\sqrt{n}}$$

Where:

u = the mean of the entire population of all MCAS
or all RCAS activities, as applicable

S = sample standard deviation

n = sample size

$t_{.025}$ = variable 95 percent confidence factor based on n-1 degrees of freedom for sample size taken from table of student's "t" critical points for students "t" distribution.

In applying the above formula to the sample data contained in Exhibits III-47 and III-49, it can be stated with 95 per-cent confidence that:

1. For the entire population of all MCAS activities which are located overseas, the average number of days which elapse following the end of each accounting period prior to physically receiving monthly financial statements from NAFAS lies in the interval 21.36-23.86 days.

2. For the entire population of all RCAS activities which are located overseas, the average number of days which elapse following the end of each accounting period prior to physically receiving monthly financial statements from NAFS lies in the interval 20.69-25.13 days.

A summary of all previously discussed arithmetical means associated with the timeliness of NAFAS reporting is contained in Exhibit III-50. For the purposes of further discussion, these figures can be reduced to the following general statements:

1. On the average, MCAS and RCAS field activities which are located in CONUS typically receive their financial statements between two and two and one-half weeks following the end of each accounting period.

2. On the average, MCAS and RCAS activities which are located overseas typically receive their financial statements between three and three and one-half weeks following the end of each accounting period.

MCAS ACTIVITIES

1. Mean time of delay in source document submission - 4.68 days.
2. Mean time of receipt by all MCAS activities - 16.88 days.
3. Mean time of receipt by CONUS activities - 15.21 days.
4. Mean time of receipt by overseas activities - 22.61 days.

RCAS ACTIVITIES

1. Mean time of delay in source document submission - 4.05 days.
2. Mean time of receipt by all RCAS activities - 18.96 days.
3. Mean time of receipt by CONUS activities - 17.49 days.
4. Mean time of receipt by overseas activities - 22.91 days.

Source: Survey

Exhibit III-50. Timeliness of NAFAS Reporting - Summary

Field activity responses concerning the accuracy of the accounting reports which are provided by NAFAS are separately summarized in Exhibits III-9 (for MCAS activities) and III-10 (for RCAS activities). The data which are contained in these exhibits are summed in Exhibit III-11. In examining these exhibits, the consistencies between the percentage figures contained in Exhibits III-9 and III-10 are worth noting.

In analyzing the data contained in Exhibit III-11, a 95 percent confidence interval can be constructed for the combined population of all MCAS and RCAS activities using the formula:

1. Formula Number Five

$$\pi = P \pm 1.96 \sqrt{\frac{P(1-P)}{n}}$$

Where:

π = the estimated proportion of the entire population that would respond in a certain way

P = the actual proportion of the sampled population that responded in a certain way

n = sample size

Hereafter referred to as Formula Number Five, the above formula is used almost exclusively as the basis for statistical estimation in the remainder of this study. Commonly used by pollsters in making statistical estimates of voting populations, the above formula is highly accurate for sample sizes in excess of one hundred. [145]

By applying Formula Five to each response contained in Exhibit III-11, it can be stated with 95 percent confidence that:

1. For the entire population of all MCAS and RCAS activities, between 56.7 percent and 68.3 percent are currently experiencing virtually no errors in the accounting reports which are provided to them by NAFAS.

2. For the entire population of all MCAS and RCAS field activities, between 29 percent and 40.2 percent are currently experiencing occasional errors in the accounting reports which are provided by NAFAS.

3. Between .9 percent and 4.9 percent of all MCAS and RCAS field activities are currently experiencing frequent errors with the accounting reports provided.

As demonstrated by the above confidence intervals, the data contained in Exhibit III-11 provide evidence as to the positive consistency with which NAFAS accounting reports are being accurately provided to field activity users. In responding to question number eight of the author's survey, field managers were purposely forced to distinguish as to whether or not their experiences with MCAS and RCAS reporting have been extremely positive (virtually no errors), pre-dominately positive (occasional errors), or extremely negative (frequent errors). The statement "occasional errors" was deliberately included as an alternative response to entice survey participants to respond in a manner that would

indicate whether or not they have been experiencing any problems whatsoever with NAFAS accounting reports. The fact that nearly twice as many respondents selected the decidedly more favorable response of "virtually no errors" further suggests that NAFAS accounting reports are accurate.

Based on the data received from the sampled population, it can conservatively stated (e.g., with 99 percent confidence) that a majority (greater than 50 percent) of all MWR field activities are currently experiencing virtually no errors in the accounting reports which are provided by NAFAS. With lesser confidence (e.g., 95 percent), it can generally be stated that approximately two-thirds of all MCAS and RCAS field activities are currently experiencing no errors, approximately one-third are experiencing occasional errors, and that a small number of activities (less than 5 percent) are experiencing frequent errors in the accounting reports which are provided to them by NAFAS.

Although the foregoing analysis of timeliness and accuracy was intended to provide insights into the efficiency of the accounting services provided by NAFAS, it provides little or no information concerning the effectiveness of those services. As previously discussed in this work, the provision of timely and accurate accounting reports does not guarantee that field managers either understand them or use them in planning and managing their activities. Using Exhibits III-12 through III-44 as a basis for analysis, the effectiveness of the

accounting products and services provided by NAFAS is evaluated in the paragraphs that follow.

In the opinion of the author, the effectiveness of any product or service can best be determined by measuring the usefulness that it brings to its intended beneficiaries. Based on this opinion, several questions within the field survey were purposely focused on this attribute. Responses to these questions are aggregated and displayed in Exhibits III-12 through III-20.

Exhibits III-12 through III-15 successively display responses to questions number three and four of the author's survey. Purposely designed to complement each other, these questions were included in the survey to either confirm or deny allegations that, for many field managers, the usefulness of NAFAS accounting reports is greatly diminished by the fact that they are not received prior to monthly meetings with their immediate superiors. As previously mentioned, this problem was verbally reported by fellow students at the Naval Postgraduate School and several field activity managers during the early stage of the author's research. Field activity responses to question number three are displayed in Exhibit III-12.

As shown in this exhibit, 57.5 percent of all respondents reported having a formal requirement to meet with their Commanding Officers or immediate superior following the end of each accounting period. By applying this figure to formula

number five, it can be stated with 95 percent confidence that, for the entire population of all MCAS and RCAS field activity managers, between 51.6 and 63.5 percent are required to meet with their Commanding Officers or immediate superiors following the end of each accounting period. Between 36.4 and 48.3 percent have no formal requirements to meet with their superiors in this manner.

Exhibits III-13 and III-14 respectively summarize the responses of MCAS and RCAS managers to question number four of the author's survey, which queried the extent to which delays in the receipt of NAFAS accounting reports adversely impact on their usefulness. The combined responses of both MCAS and RCAS managers are contained in Exhibit III-15. By applying the data contained in Exhibit III-15 to formula number five, the following statistical statements can be made:

1. For the entire population of all MCAS and RCAS activity managers, it can be stated with 95 percent confidence that between 48.9 and 60.8 percent believe that the accounting reports provided by NAFAS are extremely useful despite delays.

2. Between 26.3 and 37.4 percent of all field activity managers believe that the usefulness of NAFAS accounting reports is only partially diminished by delays in their receipt.

3. Between 7.4 and 14.8 percent believe that their usefulness is only partially diminished.

4. Between .4 and 4 percent of the entire population believe that the reports are totally useless because of delays in their receipt.

From the foregoing statistical analysis, general statements can be made concerning alleged problems caused by delays in the receipt of NAFAS accounting reports. First, a surprisingly large number (between one third to nearly one half) of all field activity managers have no formal requirement to meet with their Commanding Officers and/or immediate superiors following the end of each accounting period. Second, a statistically small percentage of field activity managers (less than one-fifth) reportedly believe that the usefulness of NAFAS accounting reports is either greatly diminished or totally eliminated by delays in their receipt. Taken together, these statements fail to support the previously mentioned grievances by some individuals that delays in the receipt of NAFAS accounting reports severely degrade their usefulness. Additionally, whether or not they are received prior to monthly meetings with senior officials appears to be of much less importance to most managers than the author was initially led to believe.

Question number nine of the field survey was purposely designed to generate additional insights concerning the usefulness of NAFAS accounting reports by asking field activity

managers to identify the extent to which they assist in the financial planning and management of their operations. Responses to this question are arrayed in Exhibits III-16 through III-18. In Exhibit II-18, the combined responses of both MCAS and RCAS activities are summarized. By applying formula number five to the data contained in this exhibit, the following statistical statements can be made:

1. For the entire population of all MCAS and RCAS activities, between 58.7 and 70.3 percent believe that MCAS and RCAS printouts are highly practical and useful in planning and managing the finances of their activity.

2. Between 19.1 and 29.5 percent believe that NAFAS accounting information is of limited practical value in planning and managing the finances of their activities.

3. Between 7.4 and 15.0 percent believe that NAFAS accounting reports are of little or no practical value.

From the above analysis, it can be conservatively stated that a majority of all MCAS and RCAS field activity managers believe that NAFAS accounting reports are highly practical and useful management tools while few (less than one-sixth) consider them to be of little or no practical value. However, it should be noted in passing that, on a comparative percentage basis, the responses of RCAS activity managers (Exhibit III-16) were substantially more positive than those of their MCAS counterparts (Exhibit III-17). The reasons for this are discussed in subsequent sections of this study.

Exhibits III-19 and III-20 respectively display field activity responses to questions number 11 and 12 of the author's survey, which were developed with two distinct purposes in mind. First, the author was interested in generating feedback concerning the usefulness of specific subsections of MCAS and RCAS accounting reports. Secondly, these questions were designed to serve as a crosscheck on question number nine of the field survey, in which field activity managers were queried concerning the "general" usefulness of NAFAS accounting reports. This was intended to determine whether or not the attitudes of field activity managers toward specific subsections of NAFAS accounting reports were consistent with their more general attitude toward accounting products and services as a whole.

As shown in Exhibit III-19, MCAS activity managers were asked to express their beliefs regarding the usefulness of the fund solvency section of the MCAS balance sheet and the comparative analysis section of the MCAS operations statement.

Based on their responses, it can be stated with 95 percent confidence that between 55.3 and 69.1 percent (roughly two thirds) of the entire population of all MCAS activity managers believe that these sections of the MCAS accounting statements are useful. Similarly, it can be stated that between 30.9 and 44.7 percent (or roughly one-third) believe that they are not useful.

Exhibit III-20 summarizes field activity responses to question number 12 of the author's survey, in which RCAS activity managers were similarly queried concerning the usefulness of the self-sufficiency information provided in RCAS accounting reports. As shown, the usefulness of the self-sufficiency portion of the RCAS accounting statement was overwhelmingly endorsed by 93.7 percent of those who responded. Based on these responses, it can be statistically asserted that between 88.4 and 99.0 percent of the entire population of all RCAS activity managers believe that the self-sufficiency portion of the RCAS accounting statements are useful. Conversely, between one and 11 percent (roughly one-tenth or less) believe that the self-sufficiency information is not useful.

In the opinion of the author, comparative review of Exhibits III-19 and III-20 with Exhibits III-16 and III-17 provides additional insights into the thoughts of field activity managers. First, MCAS subscribers were remarkably consistent in their attitudes toward NAFAS accounting products, both as a whole (Exhibit III-16) and with specific subsections of those products (Exhibit III-19). As evidenced by comparing Exhibit III-19 with Exhibit III-17, on a percentage basis, RCAS activity managers appear to be more impressed by the self-sufficiency information which is provided in NAFAS accounting reports than they are with NAFAS accounting products on the whole. Finally, comparison of Exhibit III-19

with III-20 reiterates the fact that, on a percentage basis, RCAS managers appear to be consistently more satisfied with the accounting products provided by NAFAS than MCAS managers.

In asking them to express their beliefs concerning the usefulness of the accounting products and services provided by NAFAS, it has been assumed thus far that field activity managers are trained and fully qualified to make professional judgements in these areas. Unwilling to make this assumption, the author found it necessary to query field activity managers concerning their personal qualifications, the adequacy of training support and technical documentation for centralized accounting and banking procedures and to ask them to objectively evaluate their own knowledge of the Navy's NAF flow process. These questions were considered valuable for the following reasons:

1. They enabled the author to make judgements concerning the experience levels and corresponding quality of field activity responses to questions posed in the survey.

2. They were designed to provide NAFAS with a baseline assessment concerning the effectiveness of current training programs and technical support with a view toward identifying possible areas for improvement or correction.

Question number 21 of the author's survey was specifically requested by the Director of NAFAS. Responses to this question are contained in Exhibits III-21 through III-23. By applying previously described statistical methods to the

data contained in these exhibits, it can be stated with 95 percent confidence that:

1. Between 64.2 and 77.2 percent of the entire population of all MCAS field activity managers believe that the training support and technical documentation provided by NAFAS are adequate.

2. Between 74.7 and 91.4 percent of the entire population of all RCAS field activity managers believe that the training support and technical documentation provided by NAFAS are adequate.

3. For the combined populations of all MCAS and RCAS field activity managers, between 68.2 and 80.3 percent believe that the technical documentation and training support provided by NAFAS are adequate.

From the above, it can generally be stated that three-quarters of the entire population of all MCAS and RCAS field activity managers consider the training support and technical documentation associated with centralized accounting, banking and payroll procedures to be adequate. Approximately one-quarter do not. In analyzing these responses, it should be recognized that the word "adequate" is a rather broad and inexact descriptor which potentially encompasses everything from "marginally acceptable" to "extremely positive." It should also be noted that, on a percentage basis, RCAS managers were once again more favorable in their responses than their MCAS counterparts.

In question number 23 of the author's survey, field activity managers were asked to identify the extent to which they considered themselves technically knowledgeable in the overall mission and goals of NAFAS, the philosophy behind and dollar benefits derived from concentration banking procedures, and the Navy's Central NAF Investment Portfolio. This question was developed as a corollary to question number 21 to ascertain the depth of training and technical support that is provided to MCAS and RCAS field activities. Responses to the successive sections of question number 23 are sequentially displayed in Exhibits III-24 through III-26.

By applying formula number five to the data contained in Exhibit III-24, it can be stated with 95 percent confidence that:

1. Between 32.1 and 43.6 percent of the entire population of all MCAS and RCAS field activity managers consider themselves thoroughly knowledgeable in the overall mission and goals of NAFAS.

2. Between 27.8 and 39.0 percent consider themselves to be fairly knowledgeable in the overall mission and goals of NAFAS.

3. Between 4.0 and 10.1 percent consider themselves to be only vaguely familiar with the mission and goals of NAFAS.

4. Between 16.8 and 26.6 percent consider their knowledge of NAFAS to be limited only to a general familiarity with those services that NAFAS specifically performs on behalf of their activity.

Exhibit III-25 summarizes the extent to which MCAS and RCAS field activity managers consider themselves knowledgeable in the philosophy behind and dollar benefits derived from concentration banking procedures. By applying formula number five to the data contained in this exhibit, it can be stated with 95 percent confidence that:

1. Between 24.9 and 35.9 percent of MCAS and RCAS field activity managers consider themselves thoroughly knowledgeable in the philosophy behind and dollar benefits derived from concentration banking procedures.

2. Between 33.0 and 44.6 percent consider themselves to be fairly knowledgeable.

3. Between 9.8 and 18.0 percent believe themselves to be vaguely familiar with the philosophy and dollar benefits of concentration banking.

4. Between 12.5 and 21.3 percent of the entire population of all MCAS and RCAS field activity managers consider their knowledge of the pros and cons of concentration banking services to be quite limited.

Exhibit III-26 summarizes the extent to which MCAS and RCAS field activity managers consider themselves knowledgeable in the philosophy behind and financial basis for the Navy's MAF Central Investment Portfolio. By similarly applying formula number five to the data contained in this exhibit, it can be stated with 95 percent confidence that:

1. Between 13.4 and 22.8 percent of the entire population of all MCAS and RCAS field activity managers consider themselves to be knowledgeable in the philosophy behind and dollar benefits derived from the NAF Central Investment Portfolio.

2. Between 23.5 and 34.5 percent consider themselves fairly knowledgeable.

3. Between 11.7 and 20.7 percent consider themselves to be vaguely familiar with the NAF Central Investment Portfolio.

4. Between 12.3 and 21.5 percent know that the portfolio exists but not much else about it.

5. Between 14.4 and 24.0 percent of the entire population of all MCAS and RCAS field activity managers are not even aware that the portfolio exists and the financial basis for it.

Exhibits III-24 through III-26 provide important information that must be taken into consideration when analyzing all other responses to questions posed in the field survey. First, a surprisingly small number (roughly one-third) of all field activity managers consider themselves to be thoroughly knowledgeable in the overall mission of NAFAS and benefits that are derived from concentration banking procedures. Even fewer (roughly one-fifth) considered themselves thoroughly knowledgeable in the Navy's Central Investment Portfolio. In the opinion of the author, these responses are indicative of the following:

1. The training support and technical documentation that are provided to field activity managers by NAFAS and the Navy Comptroller (NAVCOMPT) primarily focus on the mechanics of centralized accounting, banking, and payroll procedures. Lesser emphasis appears to be placed on educating field activity managers in the broader concepts and underpinnings of the NAF flow process and the historical reasons for centralizing NAF accounting and banking.

2. While most field activity managers are in a position to make judgements about the mechanics of centralized accounting, banking and payroll procedures, fewer are in a position to judge the effectiveness of these systems as a whole. They are unable to weigh or place in perspective local problems and grievances with these systems against the larger, Navy-wide benefits that are derived from them.

In addition to providing useful and understandable financial management information to field activity managers, the centralized accounting, banking, and payroll systems provided by NAFAS were also designed to reduce bookkeeping efforts, administrative workloading, and the number of personnel employed in routine accounting efforts at the local level. Since these were among the major objectives that motivated the shift to centralized systems in the first place, the extent to which they have been achieved is an important measure of the effectiveness. Exhibits III-28 through III-38 focus on these areas and are discussed in the paragraphs that follow.

During the early stages of the author's research, a recurring grievance among MCAS and RCAS managers was that delays in the receipt of centralized accounting reports caused duplicate accounting at the field activity level. Those who held this opinion maintained that they simply could not wait two to three weeks into the next accounting period to find out where their activity financially stood at the end of the previous accounting period. Therefore, in addition to feeding scores of reports into the central accounting system on a monthly basis, they found it necessary to maintain parallel accounting records at the local level to facilitate timely assessment of their activities' performance during the previous accounting period. Most of those who reported this problem also maintained one or both of the following views:

1. If delays in the receipt of NAFAS accounting reports could be reduced, parallel accounting at the local level would not be required.

2. Because parallel records have to be maintained at the local level, the submission of centralized accounting reports actually adds to accounting and bookkeeping efforts. Furthermore, monthly reports provided by NAFAS aren't any better than those which are provided locally.

To evaluate the extent to which the above views were held, question number five of the author's survey requested field activity managers to confirm or deny whether or not delays in MCAS or RCAS printouts have contributed to

additional accounting and bookkeeping efforts that would not be required if they were received in a more timely manner. The separate responses of MCAS and RCAS managers are respectively displayed in Exhibits III-27 and III-28, then summarized in Exhibit III-29. By applying formula number five to the data contained in Exhibit III-29, the following statistical statements can be made:

1. Between 28.6 and 39.8 percent of all field activity managers believe that delays in the receipt of NAFAS accounting reports do cause additional accounting and bookkeeping efforts that would not be required if they were received in a more timely manner.

2. Between 60.2 and 71.4 percent of all field activity managers do not believe that delays contribute to additional accounting and bookkeeping efforts.

In question number six of the author's survey, field activity managers were asked to specify the extent to which centralized accounting procedures have reduced the administrative requirements for financial bookkeeping within their activities. The responses of MCAS and RCAS managers are separately displayed in Exhibits III-30 and III-31, then summed in Exhibit III-32. From the responses contained in Exhibit III-32, it can be stated with 95 percent confidence that:

1. Between 16.4 and 26.1 percent of all field activity managers believe that centralized accounting procedures have greatly reduced previously existing bookkeeping requirements.

2. Between 20.2 and 30.6 percent believe that centralized accounting procedures have partially reduced bookkeeping requirements.

3. Between 17.4 and 27.4 percent believe that there has been no visible reduction in previous bookkeeping requirements.

4. Between 4.3 and 10.5 percent of all managers believe that bookkeeping requirements have actually increased.

5. Between 18 and 28 percent of the entire population of all field activity managers cannot state with certainty the effects which centralized accounting procedures have had on local bookkeeping requirements.

In posing question number six to field activity managers, it was recognized that some or perhaps many of them would not be able to judge with certainty the effects which centralized accounting procedures have had on local bookkeeping requirements. The author hypothesized that this situation would apply, as a minimum, to managers of activities where the turnover of personnel has been so high that there is no corporate memory for making comparisons between past and present bookkeeping requirements. As shown in Exhibit III-32, approximately one-fourth of all field activity managers who were polled were unable to judge, one way or another, the extent to which centralized accounting procedures have reduced local bookkeeping requirements.

The author's underlying motive for isolating those managers who were uncertain about the effects which the MCAS

and RCAS have had on local bookkeeping requirements was to enable further analysis of only that portion of the population who considered themselves certain enough in their convictions to select responses A through D of question number six. From Exhibit III-32, a total of 208 managers selected responses A through D. Of this total, 58 (27.9 percent) selected response A, 69 (33.2 percent) selected response B, 61 (29.3 percent) selected response C, and 20 (9.6 percent) selected response D. By applying formula number five to responses A through D, the following statistical statements can be made:

1. Of the entire population of field activity managers who are certain about the effects that the MCAS and RCAS have had on local bookkeeping requirements, between 21.8 and 34.0 percent believe that these systems have greatly reduced previously existing bookkeeping requirements.

2. Between 26.8 and 39.6 percent believe that the MCAS and RCAS have partially reduced previous bookkeeping requirements.

3. Between 23.1 and 35.5 percent believe that there has been no visible change from previous bookkeeping requirements.

4. Between 5.8 and 13.6 percent believe that bookkeeping requirements have increased.

From the foregoing analyses of Exhibit III-32, it can generally be stated that, for the entire population of MCAS and RCAS field activity managers, approximately three-quarters

are certain about the effects that the MCAS and RCAS have had on local bookkeeping requirements. Of those who are certain, approximately three-fifths (a statistical majority) believe that centralized accounting systems have either greatly or partially reduced local bookkeeping requirements. Approximately two-fifths believe that there has either been no visible change from previous requirements or that bookkeeping requirements have increased. Those who believe that bookkeeping requirements have increased represent a small minority (about one-tenth) of those managers who are certain about the effects that the MCAS and RCAS have had on their activities.

In question number seven of the field survey, managers were asked to identify whether or not the implementation of the MCAS and RCAS have reduced the number of accounting personnel at their activities. The responses of MCAS and RCAS activity managers are separately displayed in Exhibits III-33 and III-34, then summarized in Exhibit III-35. In posing this question, field activity managers were again provided the latitude of stating that they were not sure of the impact that the MCAS and RCAS have had on reducing the number of accounting personnel at their activities. As shown in Exhibit III-35, a total of 231 managers (84 percent) provided a yes or no response to this question. Forty-four managers (16 percent) were not sure of the effects that the MCAS and RCAS have had in reducing the number of accounting personnel at their activities.

Of the 231 managers who provided a yes or no response to question number seven, 50 (21.6 percent) indicated that the implementation of MCAS and RCAS has reduced the number of accounting personnel at their activities. One hundred and eighty one managers (78.4 percent) rendered a "no" response to the question, indicating that the implementation of the MCAS and RCAS has not reduced the number of accounting personnel at the field activity level. From these responses, the following statistical statements can be made:

1. Of the entire population of field activity managers who are certain about the effects that the MCAS and RCAS have had in reducing the number of accounting personnel at the local level, between 16.3 and 26.9 percent have experienced personnel reductions at their activities.

2. Of the same population, between 73.1 and 83.7 percent have not experienced a reduction in the number of accounting personnel at their activities.

Based on the above analysis, it can generally be stated that, for those field activities which are able to render an evaluation, approximately one-quarter have experienced reductions in the number of assigned accounting personnel since the implementation of centralized accounting procedures. Approximately three-quarters have experienced no reduction in the number of assigned accounting personnel.

In question number 14 of the author's survey, field managers were asked to evaluate the impact of centralized

banking procedures on administrative workloading within their activities. The responses of MCAS and RCAS activity managers are separately displayed in Exhibits III-36 and III-37, then combined in Exhibit III-38. As shown in Exhibit III-38, nearly one-fifth of all field activity managers who responded to the survey reported that they were not sure of the impact that centralized banking procedures have had on administrative workloading within their organizations. Of the remaining 210 managers who rendered their beliefs, 96 (45.7 percent) asserted that centralized banking services have reduced administrative workloading at their activities, 111 (52.9 percent) reported no significant change in workloading, and only 3 (1.4 percent) reported that there had been an increase in workloading. By applying formula number five to these data, the following statistical statements can be made:

1. For the entire population of MCAS and RCAS activity managers who are certain about the affects that centralized banking services have had on their activities, between 39.0 and 52.4 percent believe that administrative workloading has been reduced.

2. For the same population, between 46.1 and 59.7 percent believe that there has been no significant change in administrative workloading.

3. The rounded statistical range of those who believe that workloading has increased is 0 to 3.0 percent.

Whether or not administrative workloading has been reduced or has remained the same for a majority of all field activity managers is not statistically discernible from the above analysis. This is because field activity managers were so evenly divided in their beliefs that the construction of 95 percent confidence intervals around the above responses fails to yield a clearcut statistical majority. This is evidenced by the fact that the upper limit of both confidence intervals exceeds the fiftieth percentile. In situations such as this, it is possible to default to a lower level of confidence in predicting how the majority of the population of all field activity managers would respond to the above question. In this instance, a statistical majority can be achieved by lowering the confidence level used in formula number five from 95 percent to 60 percent. However, to do this would be the same as merely saying that there is a slightly better than even chance that, if the entire population of field activities were polled, a majority of managers would report that there has been no significant changes in workloading.

In quantifying their responses to question number fourteen, it can only be said that field activity managers were fairly evenly divided as to whether or not field activity workloading has been reduced or has remained the same since the implementation of centralized accounting and banking procedures. It can also be asserted that only a negligible portion of the

population believe that workloading has increased since the implementation of centralized banking procedures.

Exhibits III-39 through III-41 summarize field activity responses to questions 17 through 19 of the author's survey, which were designed to measure the effectiveness of the Touch Pay payroll accounting system from the standpoint of field activity users. In question number 17, managers with installed Touch Pay systems were asked to identify the extent to which these installations have eased the clerical burdens of payroll accounting within their activities. Their responses to this question are tabulated in Exhibit III-39. As shown in this exhibit, 143 managers rendered decisive responses to this question while 21 managers were not sure whether or not the Touch Pay System has eased the clerical burdens of payroll accounting. Of those managers who were decided in their beliefs, 85 (58.6 percent) indicated that the TPS has greatly reduced the clerical burdens of payroll accounting, 35 (24.1 percent) believe that TPS has slightly reduced clerical burdens, and 25 (17.3 percent) believe that clerical burdens have actually increased since the installation of TPS. From this data, the following statistical statements can be made for those field activities where TPS is presently installed:

1. Between 50.6 and 66.6 percent of all managers who are decided in their opinions towards the TPS believe that it has greatly reduced the clerical burdens of payroll accounting within their activities.

2. Between 17.1 and 31.1 percent believe that the clerical burdens of payroll accounting have been slightly reduced through the installation of the TPS.

3. Between 11.1 and 23.5 percent believe that the TPS has increased the clerical burdens of payroll accounting.

From the above analysis it can generally be stated that the TPS has greatly reduced the clerical burdens of payroll accounting at a majority of the activities where it is presently installed. An overwhelming majority of managers would agree that the implementation of TPS has at least slightly reduced the burdens of payroll accounting. Those who believe that the clerical burdens of payroll accounting have increased are among a decided minority within the total population of all activities where the TPS has been installed.

In question number 18 of the author's survey, managers with installed Touch Pay systems were asked to indicate whether or not the TPS has greatly reduced accounting efforts associated with the preparation of year-end W-2 forms. As shown in Exhibit III-40, 146 managers provided decisive responses to this question while 20 managers indicated that they were not sure as to whether or not accounting efforts associated with W-2 form preparation have been reduced. Among those managers who were decided in their beliefs, 111 (76.0 percent) agreed that the TPS has greatly reduced accounting efforts associated with the preparation of year-end W-2 forms while 35 (24.0 percent) disagreed. By applying

formula number five to these data, the following statistical statements can be made:

1. For the entire population of all field activity managers who are decided in their beliefs toward the Touch Pay System, between 69.1 and 82.9 percent believe that the TPS has greatly reduced year-end accounting efforts associated with the preparation of W-2 forms.

2. For the same population, between 17.1 and 30.9 percent believe that the TPS has not greatly reduced year-end accounting efforts associated with the preparation of W-2 forms.

In the opinion of the author, the above analysis speaks for itself. Clearly, for those activities where the TPS is presently installed, a substantial majority of managers believe that the system has, in fact, greatly reduced year-end accounting efforts associated with W-2 form preparation.

Question number 19 asked field activity managers to state whether or not the TPS has significantly reduced the accounting and administrative burdens of conforming to Department of Defense (DOD) wage policy guidelines. Again, this question was specifically included at the request of the Director of NAFAS, who stated that one of the primary objectives of the TPS was to relieve field activity managers and bookkeepers of the responsibility for keeping abreast of and interpreting the many detailed and frequently confusing wage regulations associated with government payroll accounting. Field activity personnel are relieved of this responsibility

because the TPS computer program incorporates DOD wage policy guidelines, and is updated to reflect the most recent changes. [146]

As shown in Exhibit III-41, a large percentage of field managers reported that they are not sure as to whether or not the TPS has significantly reduced the administrative burdens of conforming to DOD wage policy guidelines. Of the 118 managers who were certain in their responses to this question, 66 (55.9 percent) reported that the TPS has significantly reduced the administrative burdens of conforming to DOD wage policy guidelines while 52 (44.1 percent) reported that it has not. Based on these responses, the following statistical statements can be made:

1. For the entire population of all field activity managers who are certain in their beliefs as to whether or not the TPS has reduced the administrative burdens of conforming to DOD wage policy guidelines, between 46.9 and 64.9 percent believe that it has.

2. For the same population, between 35.1 and 53.1 percent believe that the TPS has not reduced the administrative burdens of conforming to DOD wage policy guidelines.

As shown in the above, whether or not a majority of all managers whose field activities have installed TPS's actually believe that these systems have reduced the burdens of conforming to DOD wage policy guidelines is not statistically discernible at a 95 percent level of confidence. However, a

clearcut statistical majority favoring the TPS can be achieved by lowering the confidence level used in formula number five to 78 percent. In terms of mathematical probability, this is tantamount to saying that, if the entire population of managers were polled, there is a 78 percent chance (about three chances in four) that a majority of managers would report that the TPS has reduced the burdens of conforming to DOD wage policy guidelines.

Based on the data contained in Exhibit III-41, it can generally be stated that a large number of field managers whose field activities have installed TPS's are uncertain as to the improvements that have been made in conforming to DOD wage policy guidelines. Those who are certain in their beliefs are fairly evenly divided as to whether or not improvements have been achieved in this area. With a medium amount of statistical risk, it can be asserted that a majority of field activity managers would probably agree that the TPS has reduced the administrative burdens of conforming to DOD wage policy guidelines.

Exhibits III-42 and III-43 respectively display the responses of MCAS and RCAS activity managers to question number 22 of the author's survey, which asked them to identify the extent to which the centralized accounting, banking, and payroll services provided by NAFAS have either contributed to or detracted from management flexibility within their organizations. In posing this question, the author

specifically avoided the assignment of any formal definition to the concept of "management flexibility." In so doing, this question was purposely intended to be broad, mostly perceptual in nature, and designed to elicit overall attitudes of field activity managers toward the products and services provided by NAFAS. As defined by the author, a product or service which provides management flexibility is one which achieves timesavings, requires a minimal amount of internal effort to support, and provides information that would otherwise not be available to management personnel. However, it should be recognized that each manager probably has his or her own unique perceptions as to what the term "management flexibility" actually means.

The combined responses of MCAS and RCAS field activity managers to question number 22 are summarized in Exhibit III-44. By applying formula number five to the data contained in this exhibit, the following statistical statements can be made:

1. For the entire population of all MCAS and RCAS field activity managers, between 45.1 and 59.1 percent believe that the services provided by NAFAS have significantly contributed to management flexibility within their organizations.

2. For the same population, between 24.6 and 37.6 percent believe that management flexibility has slightly increased.

3. Between 7.2 and 16.2 percent of all field activity managers believe that management flexibility has been slightly reduced.

4. Between 2.0 and 8.2 percent believe that management flexibility has been greatly reduced.

From the above analysis, it can conservatively be stated that a substantial majority of all field activity managers believe that the various services provided by NAFAS have either greatly or slightly contributed to increased management flexibility at the local level. By combining responses A and B in Exhibit III-44, it can be predicted with 95 percent confidence that between 77.9 and 88.4 percent (roughly five-sixths) of all field activity managers would agree that management flexibility has improved. By combining responses C and D it can be statistically predicted that between 11.6 and 22.6 percent (roughly one-sixth) of the entire population of all field managers believe that management flexibility has been reduced.

Unlike other questions that were posed in the author's survey, question number 15 is unique in that it was not specifically designed to measure either the efficiency or effectiveness of the products and services provided by NAFAS. Instead, the purpose of this question was to determine whether or not field activity managers would support the claim by NAFAS officials that, prior to the implementation of centralized banking procedures, forty percent of all local bank

accounts were never reconciled by field activity managers and/or bookkeepers (see Exhibit III-2). Field activity responses to question number 15 are aggregated in Exhibit III-45. By applying formula number five to the data contained in this exhibit, the following statistical statements can be made with 95 percent confidence:

1. For the entire population of all MCAS and RCAS field activity managers, between 64.7 and 76.0 percent would claim that local bank accounts were reconciled on a monthly basis prior to the implementation of centralized banking procedures.

2. Between .5 and 4 percent would claim that local bank accounts were reconciled less often than monthly.

3. Between 0 and 2.5 percent of all field activity managers would claim that local bank accounts were never reconciled.

4. Between 20.8 and 31.6 percent would report that they were not sure of the frequency with which local bank accounts were reconciled prior to the implementation of centralized banking procedures.

Based on the above analysis, a statistically small percentage of all field activity managers would be likely to report that their own local bank accounts were never reconciled prior to the implementation of centralized banking procedures. This is inconsistent with the claim made by NAFAS that, prior to the implementation of centralized banking procedures, 40 percent of all local bank accounts were

never reconciled. In discussing this problem with NAFAS officials, the author was advised that their claim was soundly supported by documented evidence that had grown out of training and assistance visits to various MWR field activities. [147]

In the opinion of the author, the disparity between field activity responses to question number 15 and the data that were previously developed by NAFAS serves as a stark reminder of the inherent risks and analytical weaknesses that can typically be associated with almost any questionnaire type survey. In this instance, it is possible that the disparity between field activity responses and NAFAS's previously developed data can be attributed to any combination of the following:

1. As previously mentioned, the use of 95 percent confidence intervals in making statistical predictions about the entire population of all field activity managers inherently implies that there is a five percent risk that those predictions will be wrong. Out of a worldwide population of 695 activities, 256 managers responded to question number 15. Although statistically improbable, it is possible that a very large number of field managers who elected not to respond to the author's survey would have chosen response C to question number 15.

2. As shown in the foregoing statistical analysis of Exhibit III-45, there is a 95 percent chance that, if the

entire population of all field activity managers were polled, up to 31.6 percent would conceivably state that they were not sure how frequently local bank accounts were reconciled prior to the implementation of centralized banking procedures. It is therefore possible that a large percentage of those activities who previously failed to reconcile their local bank accounts are now managed by individuals who are not sure of the prior periodicity of local bank reconciliations.

3. Lastly, and hopefully the least likely, the possibility exists that field activity managers were not completely honest or objective in responding to question number fifteen. It is possible that they may have either been unwilling to admit that their local bank accounts were never reconciled or that they were really not sure and merely hazarded a guess as to the prior periodicity of bank account reconciliations based on current practices.

In quantifying field activity responses to the pro forma questions that were posed by the author, the above analysis of question number 15 was intentionally presented last to highlight some of the pitfalls that are potentially present in any survey of this type. The purpose of doing this was not to discredit the statistically proven analytical methods that have been employed in this section but rather to emphasize the fact that any survey of this type is unavoidably dependent on the extent to which survey participants are both objective and conscientious in selecting their responses.

Needless to say, the extent to which they have or have not been conscientious in selecting their responses is neither auditable or controllable.

In concluding this section, it must also be emphasized that all analyses that have been undertaken thus far have been directed only toward determining how field activity managers view various aspects of NAF accounting, banking, and payroll systems. The underlying reasons for their views (e.g., why they feel the way they do) is discussed in the following section of this chapter.

D. SUBJECTIVE ANALYSIS OF NARRATIVE RESPONSES

The purpose of this section is to briefly identify and discuss observed trends in the narrative survey responses that were provided by field activity managers. As demonstrated in Exhibit III-1, the author's questionnaire heavily solicited narrative remarks from survey participants in an attempt to get them to fully explain their views and to further specify what they presently like or do not like about centralized accounting, banking, and payroll systems. This was done to enable the author to subjectively quantify the most prevalent thoughts of survey participants and to pass them along to NAFAS for follow-on review, analysis, and, in the case of predominantly adverse comments, possible remedial action.

In quantifying the wide variety of narrative responses that were provided by field activity managers, the following convention was typically followed:

1. Narrative responses to each question were collated by transcribing them onto separate worksheets so that they could be collectively analyzed on a side-by-side basis.

2. Categories were established for responses that were obviously similar in nature.

3. Categories with the largest numbers of identifiable responses were selected for discussion in this analysis.

In adopting the above convention, it was recognized that a number of equally important but less frequently occurring views and problems would go unmentioned in this study. However, any attempt at sharing all of the comments and problems that were provided by survey participants would have caused this study to grow to unmanageable proportions.

In question number one of the author's survey, field activity managers were asked to identify the primary causes for delays in the mailing of accounting source documents to NAFAS at the end of each accounting month. The four most frequently cited reasons for delays were:

1. Extending and reconciling end of the month inventories.

2. Bottlenecks in the flow of paperwork at the local level.

3. Lack of depth and/or quality in local staffing.

4. Whether or not the end of the accounting month falls on a holiday or weekend.

The time required to conduct end of the month inventories was by far the most frequently given cause for delays in mailing accounting source documents to NAFAS. This problem was most heavily reported by MCAS activity managers, particularly those who carry large inventories but have a minimum number of trained personnel on hand to assist in end of the month stock verifications. In addition to the sheer volume of items that must be inventoried at the end of each accounting month, added delays are caused by the requirement to reconcile discrepancies between on hand stocks and local accounting records. In some instances, resolving these discrepancies requires a substantial amount of investigation, backtracking, and contributes to further delays in completing the inventory.

As indicated above, the second most frequently cited reason for delays in the submission of accounting source documents were bottlenecks in the flow of paperwork at the field activity itself. These bottlenecks occur for a variety of reasons and appear to be most acute at installations where the accounting source documents of several local activities are funneled through a single accountant, bookkeeper, or Central Accounting Office. At installations where the accounting function is centralized, delays in the submission of accounting source documents to NAFAS are reportedly caused by:

1. The corresponding failure of one or more activity managers to submit accounting source documents on time.
2. The discovery of errors in accounting source documents, which requires that they be sent back to their originating activity for correction.
3. Logistics problems associated with transporting source documents back and forth between the originating activity and central accounting office.
4. An end of the month surge in workloading which is typically placed on accounting personnel in attempting to process the source documents of several activities.

Regardless of whether or not local accounting functions are centralized, paperwork bottlenecks occur for a variety of other reasons. Among them is the previously mentioned problem of inventory balancing, which causes the submission of source documents to be delayed. At other installations, there is either no bank on base or banking hours are such that corresponding delays are experienced in the preparation and submission of bank deposit slips and the Daily Activity Record Summary (DARS). At remote installations, delays are sometimes caused by the infrequency of outgoing mail runs. Lastly, a few survey participants reported that the submission of accounting source documents to NAFAS was purposely withheld at the end of the accounting month until local financial statements could be prepared on behalf of their Commanding Officers.

The third most commonly cited reason for delays in the submission of end of the month accounting reports was a lack of depth and/or quality in local staffing. The following are representative of the types of staffing problems that were identified:

1. As previously mentioned, operational staffing levels at some activities do not support the rapid completion of end of the month inventories and therefore contribute to corresponding delays in source document submission.

2. At some installations, operations are so small that a single individual is responsible for all functions within the activity, including purchasing, receiving, selling, and bookkeeping. In these situations, source documents are completed and forwarded as soon as time permits.

3. At some activities, local accounting is performed by part-time, outside bookkeepers. Whether or not source documents are submitted in a timely manner depends largely on how seriously the bookkeeper views the urgency of his or her submission.

4. For individual activities with full-time bookkeepers or accountants, accounting source documents are rarely delayed for administrative reasons. When occurring, delays are normally the result of an illness or turnover in bookkeepers.

5. As previously mentioned, when the accounting functions of several activities are consolidated, delays in submission

of accounting source documents are sometimes caused by the fact that centralized staffs are too small to handle end of the month surges in workloading.

6. High turnover rates and the corresponding requirement to retrain new personnel recurringly cause delays in the submission of accounting source documents at remotely located installations.

The fourth most frequently cited reason for delays in the submission of accounting source documents to NAFAS was whether or not the end of the accounting month happens to fall on a weekend or holiday. Obviously, this adds to the number of calendar days beyond the end of the month reporting period that are required to get accounting source documents into the mail, since holidays and weekends are normally non-working days.

Although the primary causes for mailing delays have been separately examined and discussed in the above paragraphs, it is not uncommon for some field activities to experience more than one of these problems at the same time. When this happens, delays in forwarding accounting source documents to NAFAS are compounded.

As shown in Exhibit III-3, question number three of the author's survey was divided into three parts (A through C). In preceding sections of this study, responses to Part A were quantified and statistically analyzed to determine the percentage number of all field managers that are required

to meet with their Commanding Officers or immediate superiors following the end of each accounting period to discuss the financial status of their activity. In Part C of this question, those managers who had reported that they were not required to meet with their superiors following the end of each accounting period were asked to specify the alternative frequency with which they do meet with them. The three most frequently given responses were:

1. Quarterly
2. Monthly
3. Weekly

These responses were surprising to the author, shed additional light on the actual periodicity with which field activity managers meet with their superiors, and revealed previously unforeseen weaknesses in the wording of Part A to question number three. In constructing this question, the author assumed that those managers who met with their superiors on a monthly or more frequent basis would automatically select a "Yes" response to Part A. Based on the narrative responses which they provided in Part C, their failure to do so appears to have been attributable to either of the following reasons:

1. They simply misread the question.
2. Although they are actually required to meet with their superiors on a monthly or more frequent basis, scheduled meetings are not necessarily keyed to the end of the accounting period. Instead, they are keyed to other events such as

the ultimate arrival of accounting reports from NAFAS, Recreation Council Meetings, luncheons, or they merely result from a frequent, informal, and ongoing dialogue between the manager and his superior.

Whatever the reason, the failure of field activity managers to respond in the intended manner to question number three significantly distorted the data shown in Exhibit III-12 and the author's previously conducted analysis of that exhibit. It should be recalled that the author expressed surprise in the low number (between 51.6 and 63.5 percent) of field activity managers that were required to meet with their superiors following the end of each accounting period. The narrative responses that were provided in Part C of question number three largely explain why this number was so low.

Had they responded in the intended manner, 57 additional managers would have chosen a "Yes" response to Part A of question number three, and there would have correspondingly been 57 fewer "No" responses. This would have elevated the number of "Yes" responses contained in Exhibit III-12 to 212 (vice 155) and would have lowered the number of "No" responses to 57 (vice 114). The impact of these changes is significant and leads to the upwardly revised statistical prediction that, in reality, between 73.9 and 83.7 percent of all field activity managers are required to meet with their superiors following the end of each accounting period.

In the opinion of the author, responses to Part C of question number three served to dramatically underscore the importance of soliciting narrative commentary from those who participated in the field survey. In this instance, the amplifying remarks of participating managers identified important differences in their interpretations of question number three and prompted the revision of previously given statistical estimates concerning the number of field activity managers that actually meet with their Commanding Officers following the end of each accounting period. This was the only instance in which the author was required to revise previously given statistical estimates based on supplemental narrative responses.

In question number four of the author's survey, field activity managers were asked to provide amplifying remarks to explain the reasoning behind their pro forma responses to this question, which addressed the impact that delays in receipt of NAFAS accounting reports have had on their usefulness. The most frequently given reasons for selecting their responses are discussed in the next two paragraphs. However, prior to reviewing them, it should first be mentioned that nearly all field activity managers were clearly in agreement on two things. First, delays in the receipt of NAFAS accounting reports are always undesirable. Secondly, because of delays, nearly all managers find it necessary to prepare and maintain local accounting records and internal

reports in one form or another to complement the financial statements that are prepared by NAFAS. Many of them believe that they simply cannot afford to wait until NAFAS provides them with financial statements to determine how well their activity has performed during the previous accounting period.

As previously indicated in the author's analysis of Exhibit III-15, a statistical majority of all field activity managers believe that NAFAS accounting reports are extremely useful despite the fact that delays in their receipt cause many of them to maintain local accounting records that parallel those provided by NAFAS. From their amplifying remarks, the most frequently given reasons for this were:

1. The financial statements provided by NAFAS enable managers to verify the accuracy of locally maintained records.

2. Individual sections of the financial statements provided by NAFAS conveniently complement the financial statements and analyses that are generated locally. To this end, the self-sufficiency information that is provided in RCAS operating statements was particularly lauded by RCAS activity managers.

3. The accounting statements provided by NAFAS serve as an aid in preparing budgets for the following fiscal year. This belief was predominantly supported by RCAS activity managers.

In responding to question number four, managers who indicated that the usefulness of NAFAS accounting reports was

either partially, greatly, or wholly diminished by delays in their receipt shared, with varying levels of intensity, the following beliefs:

1. Delays either partially, greatly, or wholly diminish the usefulness of NAFAS accounting reports because they require that parallel accounting records be maintained at the local level.

2. Because they are required to prepare their own financial statements anyway, these same managers believe that NAFAS accounting reports are both redundant and unnecessary because they provide little or no information that they don't already know or couldn't develop by themselves if they choose to do so.

Narrative responses to question number four were surprising to the author because they appeared to dramatically contradict previously analyzed pro forma responses to question number five (Exhibit II-29), in which a decisive majority of managers had indicated that delays in MCAS and RCAS printouts do not cause additional accounting and bookkeeping efforts at the local level. It was difficult to comprehend why so many managers report that delays in the receipt of NAFAS printouts do not cause additional accounting and bookkeeping efforts when many of them were concurrently citing the requirement to maintain local accounting records as a result of those delays. The reasons for this paradox are largely explained in the narrative responses to question number five which are examined in the next paragraph.

In question number five, field activity managers were asked to provide amplifying remarks to further identify why delays in the receipt of NAFAS accounting reports either do or do not contribute to additional accounting and bookkeeping efforts at the field activity level that would otherwise not be required if the reports were received in a more timely manner. Invariably, managers who believed that delays do contribute to additional accounting and bookkeeping efforts cited the requirement to produce local accounting documents and reports to satisfy either their own or their Commanding Officer's requirement to persistently stay on top of the financial status of their activity. Whether specifically stated or implied in their comments, the overriding belief of those who rendered a "yes" response to question number five was that certain locally prepared accounting documents could be eliminated if NAFAS accounting reports were received in a more timely manner. In contrast, the following experiences were the most prevalent among the majority of managers who did not believe that delays in NAFAS accounting reports contribute to additional accounting and bookkeeping requirements:

1. For many managers and/or their Commanding Officers, tracking and analyzing the financial status of their activities is a matter of ongoing "real-time" concern throughout the accounting period. Therefore, the requirement to prepare and maintain local accounting documents would not be

eliminated even if delays in the receipt of NAFAS accounting reports could be substantially reduced. Several managers cited the requirement to prepare weekly and even daily "flash" status reports to their superiors, including end of the month profit and loss statements.

2. For many managers, the preparation of local accounting documents does not appear to be a burdensome or time consuming task, which may explain why so many of them believe that delays in accounting reports do not cause increased accounting and bookkeeping requirements.

3. For some managers, delays in the receipt of NAFAS accounting reports generate no additional bookkeeping requirements at all. This situation was reported by managers of small or highly solvent activities, managers who are not pressured to report the financial status of their activity to higher authority, and managers activities which have typically experienced minimal delays in the mailing and turnaround of accounting source documents to and from NAFAS.

In question number seven of the author's survey, managers who had reported reductions in workloading as a result of the implementation of centralized accounting and banking procedures were asked to specify the number of man hours that had been saved at their activity. MCAS managers reported a total savings of 198 man hours per day (or 24.75 billets) while RCAS activity managers reported a total savings of 158 man hours per day (or 19.75 billets). The combined savings

for both MCAS and RCAS activities was 356 man hours per day, which equates to 1780 man hours per week, or 92,560 man hours per year.

It should be emphasized that the manhour savings enumerated in the preceding paragraph represents the reported savings of only 40 percent of the entire population of all MCAS and RCAS activities. As shown in Exhibit III-35, a total of 275 managers out of the worldwide population of 695 responded to question number seven. From Exhibit III-35, it should also be noted that a sizeable portion (16.0 percent) of those managers who responded to the author's survey were not sure as to whether or not the implementation of the MCAS and RCAS have reduced the number of accounting personnel at their activities. Accordingly, in reviewing the manhour reductions that were reported in the preceding paragraph, it should be kept in mind that a large portion of the worldwide population of all field activity managers is not accounted for. Although there is no way of substantiating such a claim, the actual manhour savings experienced by all field activities could easily be two to three times greater than that reported above.

In the opinion of the author, the specific manhour savings reported in their responses to question number seven reiterated the importance of having requested amplifying information from survey participants. Based solely on their pro forma responses to question number seven, (Exhibit III-35), the

author was originally led to believe that reductions in the number of accounting personnel due to the implementation of the MCAS and RCAS were negligible because of the low percentage of field activity managers who had reported general manpower savings. However, this approach masked the fact that, for those activities who did report manpower savings in question number seven, the savings were substantial. Based on the specific man hour savings cited above, the following would appear to be true:

1. Personnel reductions caused by the implementation of the MCAS and RCAS are substantial when stated in terms of the number of manhours per year that are actually saved.

2. Personnel reductions that have been achieved are not distributed evenly among all MCAS and RCAS field activities. Instead, a few activities have collectively experienced substantial manpower savings while a majority of field activities have experienced none. In general most savings have occurred at activities where accounting function was large or locally centralized to begin with.

In question number eight of the author's survey, field activity managers were asked to identify the most frequent causes for errors in MCAS and RCAS accounting reports. The purpose of this question was to determine whether or not field activity managers would attribute most errors to the local preparation of accounting source documents or to accounting errors made by NAFAS. Nearly all managers who

responded to this question agreed that errors in NAFAS accounting reports were attributable to undetected input errors in the submission of local source documents. These errors were typically credited to local keypunch errors, transcribing errors, or other forms of human error such as simply using the wrong account numbers when completing source documents.

In question number nine of the field survey, managers were asked to briefly amplify their thoughts concerning the extent to which MCAS and RCAS printouts have assisted them in the financial planning and management of their activities. As shown in Exhibit III-18, a decided majority of managers reported that MCAS and RCAS printouts were highly practical and useful in planning and managing the finances of their activities. Among this majority, managers were overwhelmingly consistent in their belief that NAFAS printouts provide an excellent historical tool for planning future budgets. This opinion was repeatedly rendered by MCAS and RCAS activity managers alike. The two other most frequently cited reasons for the usefulness of NAFAS accounting reports generally fell into the following response categories:

1. Managers found specific subsections of NAFAS accounting reports to be extremely beneficial. MCAS managers were variously impressed by inventory turnover and cost of goods sold calculations. RCAS managers expressed satisfaction with the self-sufficiency information that is provided in RCAS accounting statements.

2. Other managers held that the primary value of the printouts is that they enable them to quickly review and analyze a large amount of data in capsular form and, in so doing, enables them to detect and correct adverse trends within their activity.

The decidedly small minority of managers who reported that NAFAS printouts were of little or no practical value in responding to question number nine reiterated the themes:

1. NAFAS printouts are of little or no practical value because too much time elapses between the end of the accounting period and their eventual receipt from NAFAS.

2. Because of these delays, locally prepared accounting statements serve as the primary basis for local financial analyses.

In previous sections of this study, the various accounting reports which are produced by NAFAS were described in detail. In question number ten of the author's survey, field activity managers were given the opportunity to specify which reports or sections thereof they considered to be the least worthwhile. The purpose of this question was to enable NAFAS to assess whether or not certain reports should be modified to better accommodate the analytical needs of field activity managers.

Of the 218 managers who responded to question number ten, 148 (68 percent) stated that all sections of NAFAS's accounting reports are worthwhile. RCAS activity managers were

nearly unanimous in this belief. Conversely, nearly all criticism was provided by MCAS activity managers, who repeatedly expressed dissatisfaction for the year-to-date comparative analysis section of the MCAS operations statement. The basis for their dissatisfaction is discussed in the following paragraph.

In part B of question number 11, field activity managers were invited to specifically comment on the usefulness of the Fund Solvency section of the MCAS Balance Sheet and Comparative Analysis Section of the MCAS Operations statement. As previously shown in Exhibit III-19, approximately two thirds of those MCAS activity managers who responded to the survey vouched for the usefulness of these subsections of the MCAS reporting system while approximately one-third reported that they were not useful. In their narrative responses to question number 11, MCAS managers were remarkably consistent in reiterating the same virtues and liabilities that were previously cited in their narrative responses to question number ten. Those who found the Fund Solvency Section and Year to Date Comparative Analysis Section to be useful analytical tools repeatedly cited their value in preparing budgets and the fact that these sections allowed them to quickly ascertain the financial status of their activity. Those who did not find them to be useful most frequently rendered the following criticism:

1. The Year-to-Date Comparative Analysis Section is neither useful nor fair because it attempts to compare the performance of all clubs against a uniform set of ideal operating standards. Many managers emphasized the fact that there are simply too many environmental differences between clubs to realistically quantify the way they should operate. Examples of these differences included the location of the club, size of client population, size of facility, local wage scales and many other uncontrollable variables.

2. Several managers reported disillusionment with the Comparative Analysis Section because of the arrow symbols (described in Chapter Two) that flag the requirement for "management attention" whenever an account has an unfavorable variance. Most managers who were disenchanted with this feature cited the tendency of their Commanding Officer or immediate superior to overreact to any unfavorable variances which were recorded in NAFAS's printouts, even though the operating standard for a particular account was, in the opinion of the manager, an unrealistic benchmark to begin with.

3. A few managers argued against the usefulness of the Fund Solvency section of the MCAS balance sheet because they either didn't understand what it was supposed to be telling them, they were capable of computing it themselves, or simply didn't find much practical use for it.

In Part B of question number 12, RCAS activity managers were similarly asked to provide narrative comments concerning

the usefulness of the self-sufficiency information provided in RCAS accounting reports. As shown in Exhibit III-20, which summarizes their responses to Part A of the same question, managers were nearly unanimous in the fundamental belief that the self-sufficiency information produced by NAFAS serves as a useful financial management tool within their respective organizations. The most frequently given reasons for the usefulness of activity self-sufficiency information were that it:

1. Provides immediate visibility to developing trends, positive or otherwise, within their organization. Enables managers to take prompt action to correct undesirable trends.
2. Enables managers to separately assess each department or program within their activity.
3. Provides a valuable benchmark for setting goals within their activity.

Like their MCAS counterparts, RCAS managers were consistent in their narrative responses to question number ten and 12. Again, their beliefs and attitudes toward NAFAS accounting reports were noticeably more positive than those of MCAS managers.

In the previous section of this study, it was purposely noted that the pro forma responses of RCAS managers were visibly more positive than MCAS managers. In the opinion of the author, narrative responses to questions ten through 12 reveal one of the major causes for their differing attitudes

toward the centralized accounting products and services provided by NAFAS. On the one hand, RCAS managers generally believe that the formatting of RCAS accounting reports is simple, practical, non-threatening, and constructively tailored to fit their management needs. On the other hand, a large number of MCAS managers were clearly disenchanted with the expressed opposition to the basic formatting of MCAS reports, especially the Comparative Analysis Section of the MCAS Operations Statement, which many of them considered an unrealistic and sometimes counterproductive financial tool.

In question number 13, field activity managers were asked to describe their two greatest frustrations with the Navy's centralized accounting system, excluding delays in the receipt of NAFAS accounting reports. The purpose of this question was to provide still another forum for identifying problems associated with centralized accounting procedures and to compare responses to this question with others which were previously provided in the survey. In descending order of their occurrence, the following were the three most frequently reported grievances of field activity managers:

1. Correcting accounting errors once they have been introduced into the centralized accounting system.
2. Inadequacy of training support and technical documentation associated with the centralized accounting system.
3. The year-to-date Comparative Analysis Section of the MCAS Operations Statement.

In conveying their foremost frustrations with the centralized NAF accounting system, field activity managers were asked to exclude delays in the receipt of NAFAS accounting reports because there was little doubt that this would have been their most frequently reported grievance. Despite the fact that they were asked to exclude the problem of mailing delays, many managers chose to ignore the author's guidance and reported this as their number one grievance. In the opinion of the author, this served to reinforce how strongly some managers feel about the problems created by delays in the receipt of accounting reports from NAFAS.

As shown above, the inability to get accounting errors corrected in a timely manner was the most frequently cited grievance among managers who conformed to the author's guidance. It is worth noting that this problem is also related to the larger problems of mailing delays and was most frequently addressed by managers of overseas activities where mail deliveries and telephone communications with NAFAS are less than optimal. Where accounting reports arrive between three to five weeks following the end of the accounting period with errors in them, it sometimes takes several accounting periods to get these errors corrected. Some managers stated that, despite their ability to communicate with NAFAS by telephone, delays in getting accounting errors resolved were unacceptably long.

The second most frequently cited grievance of field activity managers was the inadequacy of training support and technical documentation which accompany the centralized accounting system. This problem was most frequently reported by activities where the turnover in managers, accounting personnel, or bookkeepers is unusually high and an ongoing requirement exists to train new personnel. Several managers reported that they themselves had experienced difficulty in gaining an awareness and understanding of all the rules and underlying reasons for currently existing accounting procedures because a comprehensive knowledge of the centralized accounting system necessarily involves an awareness of many accounting publications, including all previously published change transmittals to them. To this end, several managers reported delays in the receipt and occasional non-receipt of critical change transmittals to important accounting publications. The problems of training support and technical documentation are discussed in depth in the author's subsequent analysis of the narrative responses to question number 21 of the field survey, which specifically addressed this issue.

The third most frequently reported frustration with the centralized accounting system was the previously discussed grievance among MCAS managers toward the non-validity and lack of value of the comparative analysis section of the MCAS Operations Statement. Having already discussed this problem at length, there is no need to reiterate it here

other than to say that MCAS managers were remarkably persistent in communicating their beliefs on this subject.

As shown in Exhibit III-3, question number 14 of the field survey was divided into three separate parts. Responses to Part Q, which queried field activity managers as to whether or not centralized banking procedures have reduced administrative workloading at the field activity level, were previously analyzed and discussed in conjunction with Exhibits III-36 through III-38 in the preceding section of this chapter. In Part B of this question, managers who had reported that administrative workloading had been reduced at their activities through the implementation of centralized banking procedures were asked to approximate the percentage reduction in workloading that had been achieved. In Part C, these same managers were asked to cite some of the tangible improvements which they had observed. Their narrative responses to Parts B and C of this question are summarized as follows:

1. The average percentage reduction in workloading reported by those managers who have observed reductions in workloading at their activities subsequent to the implementation of centralized banking procedures was 9.68 percent.

2. Almost unanimously, the primary reason for reporting a reduction in workloading was that, under the centralized banking system, field activity accounting personnel are no longer required to reconcile local bank statements on a monthly basis since this is automatically done for them by the MCAS and RCAS.

Given the fact that centralized banking procedures have eliminated the requirement for field activity personnel to reconcile their own local bank accounts, the author was surprised by the large number of managers who responded to Part A of question number 14 by reporting that there has been no significant change in administrative workloading at their activities. The reasons for responding the way they did are partially explained by their narrative responses to question number 16, which are discussed in the following paragraph.

In question number 16, field activity managers were asked to provide a brief narrative description of what they believed to be the greatest deficiencies and/or frustrations associated with centralized banking procedures. Of the 193 narrative responses that were provided to this question, 84 managers (43.5 percent) stated that they had no frustrations whatsoever with the centralized banking procedures that are presently in place. The remainder of the managers who responded to this question emphasized the following deficiencies and frustrations with current banking procedures:

1. The length of time that is required for cancelled checks to be returned to the field activity is, in many instances, inordinately long. Many activities reported that it sometimes takes several months for cancelled checks which have been written by them to clear the banking system and be returned to their command. In the meantime, they are "left in the dark" as to the status of these checks, which

becomes especially critical when non-payment is alleged by vendors.

2. Check replacement and stop payment procedures were the second most frequently reported deficiencies of the centralized banking system. When a check is incorrectly written at the local level and/or stop payment procedures are initiated for any reason, a replacement check cannot be drawn until authorization is received from NAFAS. Responding managers variously reported that it can take two to six weeks to receive authorization from NAFAS to issue a replacement check.

3. The third most frequently reported frustration with centralized banking procedures was that the underlying motives for the central banking system itself serve as a major disincentive for thriving field activities to improve their local earnings. Many managers voiced strong opposition to the fact that they were not allowed to reinvest the interest earnings on their own profits in a manner that would allow their own activities to directly benefit from their personal management initiatives. Instead, as described in the preceding chapter of this study, all profits are pooled in the central bank, invested by NMPC 65, then redistributed to activities with the greatest need. Several managers stated the belief that this process has the combined affect of discouraging good managers and sustaining bad ones.

In the opinion of the author, the above grievances partially explain why, in selecting their answer to question fourteen, so many managers reported that there had been no significant change in administrative workloading since the implementation of centralized banking procedures at their activities. Based on their responses, it would appear that the timesavings which are achieved by not having to reconcile their own bank accounts are either partially or wholly offset by the disadvantages of not knowing the status of outstanding checks for extended periods of time and the absence of local authority to issue replacement checks.

Narrative responses to question number 16 clearly revealed that, for many managers, the loss of interest earnings due to the centralized pooling of field activity profits is a highly emotional issue which, in the opinion of the author, may have influenced the way that many of them responded to Part A of question number 14. In all probability, managers disliking the basic, underlying motives for the centralized banking would have experienced great difficulty in objectively evaluating the administrative virtues of the system.

In question number 20 of the author's survey field activity managers were asked to identify the greatest deficiencies and frustrations that they had experienced with the "Touch Pay" payroll accounting system (TPS). Of the 130 managers who provided narrative responses to this question, 41 (31.5 percent) stated that there were no deficiencies in the TPS. Among

those managers who have experienced problems with the TPS, the following were the most frequently mentioned frustrations and grievances:

1. When payroll errors occur, it is a difficult and time-consuming process to get them corrected. According to many managers, errors frequently occur whenever there is a change in personnel status at their activity (such as new hires, transfers, wage increases) which necessitates the forwarding of an Employee Information Sheet (Exhibit II-61) to the TPS. In some instances, errors in paychecks or the non-receipt of paychecks occur merely because of the lead time required to get new information into the system. In other instances, errors were blamed on TPS personnel for failing to properly keypunch new data into the system.

2. The second largest category of complaints were problems associated with telephone communications between the field activity and the TPS. Many managers reported frequently that they were either interrupted or that the system was frequently busy when attempts were made to access it. This problem was especially common to activities located outside of the continental United States.

3. The third most frequently mentioned grievance with the TPS is that it generates excessive paperwork, both on the input and output side of the system. Several users alleged that the transmission of payroll accounting information requires a significant amount of administrative maintenance

and preparation, including the continuous flow of Employee Information Sheets to the TPS. Many of these same individuals also alleged that the output reports from the TPS provide more information than is either required or desired for local management purposes.

4. Both separately and as an adjunct to previously mentioned grievances, many managers complained of the inherent information lag and mailing delays associated with the TPS. Several reported the late receipt of paychecks following holidays and failure of the system to keep pace with requested changes to the TPS data base.

In objectively analyzing narrative remarks to question number 20, two additional trends were observed. First, several managers who presently like the TPS reported that they had experienced significant problems when the system was initially installed at their activity. Like many new systems, a substantial "learning curve" had to be overcome by system users. Since the TPS is relatively new at many activities, some of the problems that were cited in the survey may well be only temporary in nature. Another important trend is that several managers readily admitted that their current grievances toward the TPS stem from the fact that, prior to the implementation of the TPS, automated payroll accounting systems were already installed at their activities. Several of these managers claimed that the TPS has proven inferior to the demonstrated capabilities of their own local systems and

questioned the value of having to abandon them in favor of a less reliable system.

In question number 21, field activity managers who found fault with training support and technical documentation provided by NAFAS and NAVCOMPT were asked to provide narrative, amplifying remarks concerning the perceived inadequacies of current training programs and publications which govern the centralized accounting, banking, and payroll systems. As shown in Exhibit III-23, one-fourth of all managers who responded to the survey reported that the training support and technical documentation provided NAFAS and NAVCOMPT were inadequate. In their narrative responses, the most frequently reported deficiencies were:

1. Accounting manuals and instructions, especially NAVSO P-3520, are difficult to understand and badly outdated.
2. Accounting guidance is highly fragmented and scattered over too many publications.
3. Training assistance visits are infrequently provided and fail to keep pace with the rapid turnover in management and bookkeeping personnel at many activities.
4. Due to local funding constraints, many activities are not able to send key management the formal management courses that are offered at NAFAS headquarters at Patuxent River, Maryland.

Regarding the above problems, several field activity managers stated that ambiguities in current accounting guidance,

especially that which governs payroll accounting and personnel matters, have necessitated frequent phone calls to NAFAS and heavy reliance on supplemental notices and bulletins which are periodically authored by NAFAS. Several managers also maintained that current accounting doctrine needs to be updated to reflect current accounting procedures, then consolidated into one manual, and more clearly defined through the use of additional and concise graphic illustrations.

As for training support, several individuals discussed the combined frustrations of not being able to attend the formal management courses offered by NAFAS, the infrequency of training and assistance visits, and the absence of local training manuals or an understandable accounting handbook to assist them in their own program of self-instruction. Many of those expressed the desire to independently gain a better understanding of the underlying theory, doctrine, and accounting reports associated with the centralized accounting, banking, and payroll systems stated that inadequate training materials were not made available to them.

Prior to concluding discussion of question number 21, it should be mentioned that, during the course of thesis research, the author also became frustrated by the inadequacies and discontinuities in current NAF accounting documentation. In bringing this problem to the attention of NAFAS officials, the author was advised that the Navy's handbook, Nonappropriated Fund Accounting Procedures

(NAVSO P-3520), was in the process of being revised and updated. Additionally, the author was provided with a series of newly developed, self-paced training courses by the Navy Special Services Administrative Activity (NSSAA), which greatly facilitated the author's understanding of centralized accounting and banking procedures. The author was advised that all field activities would eventually be provided with these newly developed, self-paced courses, which were being developed in recognition of the fact that training materials for the centralized accounting and banking systems required improvement.

In question number 22 of the author's survey, field activity managers were asked to provide amplifying remarks describing the specific ways in which management flexibility has been altered as a result of the implementation of centralized accounting, banking, and payroll systems at their activities. In the same question, they were also asked to state whether or not they would be better off if decentralized accounting, banking, or payroll services were reinstituted at their activities.

As shown in Exhibit III-44, 83.2 percent of all field activity managers who responded to Part A of question number 22 indicated that management flexibility had either significantly or slightly increased as a result of the implementation of centralized accounting, banking, and payroll procedures at their activities. In keeping with their responses to Part

A of this question, narrative comments provided in response to Parts B and C were equally positive. In responding to Part B, managers most frequently cited the following reasons for the increased management flexibility that has resulted from the implementation of centralized accounting, banking, and payroll systems:

1. The services provided by NAFAS have reduced the need for them to become totally involved in the details of local accounting and banking. This has allowed them more time to concentrate on program management rather than detailed fiscal management within their activities.

2. The accounting reports which are produced by NAFAS provide, in concentrated form, a substantial amount of financial management information which field activity managers would either have to develop themselves or do without. Many managers lauded the comprehensive manner in which NAFAS accounting reports allow them to perform trend analyses and budget planning in much less time than if similar reports had to be locally constructed.

Of the relatively small minority (16.6 percent) of managers who reported that the centralized accounting, banking, and payroll systems have reduced management flexibility at their activities, the following grievances were most frequently claimed:

1. Several managers reiterated their strong opposition to the loss of interest earnings on their own profits by

claiming that they had much more flexibility in managing their activities when they were free to locally reinvest their own earnings.

2. A few managers claimed that the concurrent requirement to support the centralized accounting, banking, and payroll systems in addition to ongoing local accounting requirements has added to their workloading and, therefore, reduced local management flexibility. To this end, many of these same individuals made it a point to single out the TPS as the most timeconsuming, unwanted system that detracts from local management flexibility.

In part C of question number 22, field activity managers were asked if they favored a return to decentralized accounting, banking, and payroll systems. Of the 177 managers who responded to this question, 125 (70.6 percent) stated that they were not in favor of reinstituting decentralized systems at their activities because it would increase local workloading, increase overhead costs, and because many of them believe that the current system adequately services their financial management needs. Managers who were in favor of reinstituting decentralized accounting, banking, and/or payroll procedures rendered the following opinions:

1. Eighteen managers stated that a return to decentralized accounting, banking, and payroll procedures would eliminate unnecessary duplicate accounting, allow for instantaneous corrections of accounting errors, and/or provide the same

financial management information in a shorter amount of time and at a lesser cost.

2. Thirteen managers stated that they had no qualms with the centralized accounting and banking system, but strongly favored a return to decentralized payroll accounting procedures. Those who responded in this manner typically stated that either the mechanical or automated payroll systems that they were using prior to the implementation of TPS involved less work or were less troublesome.

3. Eleven managers stated that they were in favor of returning to decentralized systems because they were better off when they were able to control and reinvest the interest earnings on their own profits.

4. Three managers stated that they were in favor of retaining the centralized accounting system but preferred decentralized banking and payroll systems.

5. One manager favored the reinstitution of decentralized accounting and payroll systems and continuation of the centralized banking system.

6. Six managers stated that they were either unsure about their beliefs on this subject or indicated that a shift back to decentralized systems would probably not have a dramatic affect on their current operations, one way or another.

In questions number 24 and 25 of the author's survey, field activity managers were asked to provide information concerning their prior experiences with decentralized

accounting, banking, and payroll procedures and to indicate the number of personnel who are currently assigned to accounting, banking, and payroll functions within their activities. Unfortunately, responses to these questions were so perfunctory that they had to be omitted from this analysis. Perhaps the most plausible explanation for the poor responses to these questions is that the author's survey was simply too lengthy and many managers become impatient in completing it.

Despite disappointing responses to question number 24, the experience levels of survey participants can be analyzed using information provided in the "Activity Data Section" of each questionnaire. Of the 217 persons who participated in the survey, 214 identified their rank (or rating level) and 213 identified the number of years that they have served as field activity managers. A summary of their relative seniority and experience levels is provided in Appendix I. Based on the information contained in Appendix I, the following statements can be made:

1. Of the 214 managers who identified their rank (or rating level), 155 (72 percent) were either Naval Officers or no lower than a GS-9 on the United States Civil Service grading scale.

2. Of the 213 managers who identified the number of years which they have served as field activity managers, 147 (69 percent) have served at their activities for less than six years, while 105 managers (49 percent) have served

at their activities for less than three years. Conversely, only 35 managers (16 percent) reported having served as field activity managers for ten years or more.

In the opinion of the author, the above statements bring out two important points concerning the experience levels of survey participants. First, a substantial majority of survey participants, were mid-level to senior grade managers. Secondly, despite their seniority, the length of time that many of them have actually spent as field activity managers is relatively short. Both of these points should be taken into consideration when evaluating the data contained in this survey. In the opinion of the author, the latter of these findings leads to the following conclusions:

1. Turnover among field activity managers, both civilian and military, appears to be high.

2. In responding to several questions in the author's survey, it would appear that many managers were forced to rely on the second-hand experiences of their fellow employees (e.g., bookkeepers and accountants) in making judgements about the currently installed accounting, banking, and payroll systems. This is especially true of questions in which participating managers were asked to compare the relative effectiveness of current, centralized systems with previously used decentralized methods of accounting. Given the relatively short amount of time that many of them have served in their current positions, it would not have been possible for them

to have personally observed the transition from decentralized to centralized systems unless they had previously worked in another "NAF-related" capacity.

In concluding this chapter, it should be re-emphasized that the purpose of this section has been to subjectively quantify the narrative comments of field activity managers in an attempt to gain a better understanding of the underlying reasons for the structured, pro forma responses contained in Section D. As shown, there were some instances in which narrative comments of field activity managers served to dramatically alter previously developed statistical conclusions. Obvious differences in the manner in which field activity managers interpreted certain questions were also brought to light.

In developing this analysis, a conscientious effort has been made to fairly represent the most prominent concerns and beliefs of MCAS and RCAS field activity managers. While it is recognized that the approach that has been taken in this section is lacking in statistical and scientific purity, the author found the narrative comments of survey participants too valuable to omit them from this study. As a minimum, it is hoped that the contents of this section will serve to stimulate further research into problems which appear to be common to many field activity managers.

IV. CONCLUSION

A. SUMMARY OF SIGNIFICANT FINDINGS

The purpose of this section is to summarize what are considered by the author to be the most significant findings of this study. In the following section of this chapter, these findings are compared with the conflicting, a priori statements that were made at the onset of this study by the author's fellow students, field activity managers and senior NAF officials. They are also used as the basis for the author's conclusions and recommendations concerning various aspects of the Navy's centralized NAF accounting, banking, and payroll systems.

In the opinion of the author, the most significant findings associated with the centralized NAF accounting system are:

1. The accounting products and services provided by NAFAS complement local accounting efforts but are by no means a self-contained, substitutable alternative for them.

2. The greatest frustrations which field activity managers have with the centralized accounting system are the inherent delays associated with the receipt of NAFAS accounting reports following the end of each accounting period and, when occurring, the long lead time that is required to correct accounting errors. Due to time and distance factors, overseas activities are especially plagued by mailing delays.

3. Despite delays in their receipt and occasional accounting errors, the products and services that are provided by NAFAS are considered by most managers to be extremely accurate and valuable financial management tools.

4. On the whole, RCAS managers are more positive in their attitudes toward the centralized accounting system than their MCAS counterparts.

5. Although a majority of managers believe that the training support and technical documentation associated with the centralized accounting system is adequate, there is a demonstrated need for improvement in this area.

6. The implementation of centralized accounting procedures has either greatly or partially reduced local bookkeeping requirements at a majority of field activities.

7. Despite reductions in workloading at a majority of activities, actual personnel reductions have occurred at a small percentage of reporting activities.

8. Despite the collective grievances that field activity managers have expressed for the centralized NAF accounting system, a decided majority of them do not favor a return to an exclusively decentralized accounting system.

In the opinion of the author, the above findings are fully supported by the previously discussed narrative and pro forma responses of those managers who participated in the field survey. For a variety of reasons, field activity managers cannot exclusively rely on the centralized NAF

accounting system to service their local accounting needs. In the case of overseas activities, mailing delays alone prevent this from happening. In the case of many other activities, management preference and/or the marginal solvency of the activity itself dictates a "real-time" requirement to track the exact accounting status of the activities' operations on a day-to-day or week-to-week basis. Managers and/or Commanding Officers believe that they simply cannot wait two to four weeks into the next accounting period to identify and take corrective actions on financially adverse developments within their activity.

Although the accounting products and services provided by NAFAS are not a self-contained, substitutable alternative for local accounting efforts, a decided majority of managers believe that they provide valuable, supplementary financial management information which assists them in managing their operations. If for no other reason, NAFAS accounting reports are considered valuable by many managers because they provide an excellent tool with which to verify the accuracy of local accounting information. Furthermore, many managers like them because they provide concisely packaged, historical accounting information that not only allows them to rapidly gain additional insights into the problems of their activities, but also serves as an important aid in the budget planning process. Despite delays in their receipt, NAFAS accounting reports appear to have a useful and highly meaningful purpose

in those areas of field activity management and accounting that are not particularly time sensitive.

The fact that RCAS activity managers have a more positive attitude toward the centralized NAF accounting system than MCAS managers was thoroughly discussed in Chapter III of this study. As indicated, attitudinal differences between RCAS and MCAS managers are primarily driven by the fact that, in general, RCAS managers believe that NAFAS accounting reports provide a fairer and more meaningful representation of the actual financial status of their activities than their MCAS counterparts.

In their narrative responses, MCAS managers expressed a highly discernible dislike for the Comparative Analysis Section of the MCAS Operations Statement, which many view as unfair measure of the true performance of their activities. Whereas RCAS activity managers are assigned variable performance (self-sufficiency) targets based on the size and geographic location of their facilities, MCAS managers are measured against common performance standards that are prescribed at the headquarters level. These standards fail to adequately account for important environmental differences among activities such as local wage scales, commercial competition, and the size of the local military population whose patronage is being solicited. Another grievance among MCAS managers is that the formatting of the Comparative Analysis Section fails to identify a reasonable range of

performance tolerances, draws attention to only the negative trends in local operations, and lends itself to misinterpretation by local Commanding Officers.

The need to improve the training support and technical documentation associated with the centralized NAF accounting system is based on the author's own experiences, interviews with field activity managers, and the fact that 25 percent of all field activity managers who responded to question number 21 of the author's survey indicated that these areas were inadequate. As discussed in Chapter I of this study, the basic terminology and definitions which govern the NAF flow process as a whole are largely understandardized and perpetuate confusion as to their real meaning. In addition to this, developing a clear understanding of both the NAF flow process as a whole and the centralized NAF accounting system is made even more difficult by the fact that current doctrine is spread out over a variety of publications, instructions, notices and bulletins.

In their narrative responses to the field survey, managers who found the technical support associated with the centralized NAF accounting system to be inadequate echoed the author's personal belief that the supporting documentation associated with centralized NAF accounting system was too fragmented and lacking in a sufficient number of clear, self-explanatory illustrations. In this regard, the Navy's Accounting Handbook (NAVSO-P 3520) was frequently singled out as having too many

"gray areas" that necessitate heavy reliance on NAFAS or other managers in initially developing a complete understanding of the NAF accounting system.

As for training support, many managers lauded the professionalism and helpfulness of the training assistance visits provided by the Navy Special Services Administrative Activity (NSSAA) and the formal management courses that are offered at NAFAS headquarters. However, as discussed in Chapter III, local funding constraints prevent many activities from sending key personnel to the formal management course at NAFAS headquarters and the frequency of training assistance visits fails to keep pace with the rapid turnover of personnel at many activities. In the opinion of the author, this situation further underscores the need to consolidate and explicitly document the technical details of centralized accounting procedures in a manner which is more readily understandable and accessible to neophyte users of the system.

Responses to question number 23 of the field survey revealed yet another important weakness in the technical documentation and training support which are currently provided to field activity managers. In their responses to this question, many managers indicated that their knowledge of the mission and goals of NAFAS and other aspects of the Navy's overall NAF flow process was limited. That few managers reported having a thorough, conceptual knowledge of the Navy's NAF flow process as a whole was of little or no surprise to

the author who, during the course of thesis research, found no published document that singularly tied the whole process together in a simplified and readily digestable form. In the opinion of the author, field activity managers should, in order to be the effective functionaries of a much larger process, have a much better understanding for the underlying reasons behind the systems and procedures that they are required to support. Current documentation leaves substantial room for improvement in this area.

That the implementation of centralized accounting procedures has reduced workloading at a majority of field activities was demonstrated in Chapter III. Also shown was the fact that, while actual personnel reductions have been achieved by only a small percentage of reporting activities, total manhour savings have been fairly impressive. The importance of these findings is two-fold. First, reductions in workloading caused by the implementation of centralized accounting procedures do not necessarily lead to corresponding reductions in personnel. Accordingly, reductions in workloading cannot be simply measured by the number of jobs that have been eliminated. Secondly, the affects which the centralized accounting system have had on personnel costs should be measured in terms of the total, system-wide manhour savings that have been achieved and not based on the number of activities that have experienced reductions. This is because manhour savings are not uniformly distributed over all activities.

In general, most real personnel reductions have occurred at installations whose accounting functions were large and/or locally centralized to begin with.

In Chapter III it was also shown that, despite the grievances which they individually or collectively have for the centralized accounting system, a decided majority of field activity managers were not in favor of reverting to a purely decentralized mode of operation. Several managers did not favor such a move because they believed that it would require the hiring of additional accounting personnel and would increase overhead costs. Others stated that they had never been exposed to anything but the current, centralized system and were highly satisfied with the products and services which they are receiving. In nearly every instance, the minority of individuals who favored a return to decentralized procedures did so because of their current inability to reinvest their own interest earnings on local profits and mailing delays associated with receipt of monthly accounting statements.

In the foregoing paragraphs, significant findings have been discussed as if the centralized NAF accounting system were totally unrelated to the centralized banking system. In reality, these systems are so closely interrelated that they are actually subsystems of a combined, centralized "accounting and banking" system. In many instances, findings which apply to one system also apply to the other. For example, mailing

delays are congruent in both systems since monthly banking statements are contained in the monthly accounting statements provided by NAFAS. Despite their close interrelationship, certain findings are unique to each system. In the opinion of the author, the following were the most important findings that were uniquely associated with the centralized banking system:

1. Field activity managers are evenly divided as to whether or not centralized banking procedures have reduced workloading at their activities.

2. In many instances, stop payments and check clearing procedures take an inordinately long time which substantially lowers user satisfaction with the system.

3. Many field activity managers believe that the centralized pooling of interest income on local profits serves as a major disincentive to both profitable and unprofitable activities alike.

4. Although the centralized banking system has produced substantial earnings on behalf of Navy morale, welfare, and recreation programs, additional earnings could potentially be achieved through the use of "state-of-art" electronic cash transfer systems.

Based on narrative survey responses, the author believes that the first two findings are related. While many managers believe that centralized banking procedures slightly reduce (by less than 10 percent) workloading at their activities,

an equally large number reported no noticeable improvements. In many instances, those who reported the latter expressed frustration with the inconveniences and uncertainties of the check clearing process, a lack of timeliness associated with stop payment procedures, and the absence of local authority to issue replacements for voided checks without the approval of NAFAS. As previously discussed in Chapter III, it would appear that the economies which are achieved by not having to reconcile bank statements locally are either partially or wholly offset by these inconveniences.

The dissatisfaction which many managers have for the centralized pooling of field activity profits was thoroughly discussed in Chapter III of this study. As previously mentioned, the centralized pooling and redistribution of interest income on local profits serves as a disincentive to profitable managers because of their inability to locally reinvest their own earnings. If they are already earning a profit, there is little or no reward for achieving even greater profits through skilled management and operational efficiency. Conversely, unprofitable managers are provided little or no incentive for improving the financial position of their activities because they are either consciously or unconsciously aware that earnings from the centralized profit pool can be made available to keep their operations going. To verify whether or not field activity managers are justified in their thinking on this subject would require additional research

that is beyond the scope of this study. Rightly or wrongly, many managers who participated in the field survey maintain these views.

The fourth and final finding associated with the centralized banking system was discovered by the author while visiting NAFAS headquarters in April, 1981. As described in Chapter II and clearly illustrated in Exhibit II-11, current banking procedures require that MWR field activities deposit all cash receipts into their local bank on a daily basis and forward both their Daily Activity Record Summaries (DARS) and bank deposit slips to NAFAS. These deposits remain in local bank accounts until the deposit slips and DARS are received and processed by NAFAS and a depository transfer check is initiated by the First National Bank of St. Louis. Depending on the frequency of outgoing mail deliveries and the geographic location of each activity, the transfer of local deposits into the central bank can take several days. Meanwhile, monies which are deposited locally are drawing interest at a lower rate than they otherwise would be if their transfer into the central bank and subsequent reinvestment could be accelerated. Based on discussions with NAFAS employees and fellow students of the Naval Postgraduate School, the accelerated transfer of deposits could be attained through the use of modern, electronic, cash transfer systems. In the opinion of the author, alternative methods for accelerating the flow of deposits into the First National Bank of St. Louis should be investigated.

In concluding this section, significant findings associated with the "Touch Pay" payroll accounting system (TPS) are discussed. In the opinion of the author, the most important findings were:

1. For those activities where the TPS is currently installed, a majority of managers believe that it has substantially reduced the clerical burdens of payroll accounting, particularly year-end W-2 form preparation.

2. Although a majority of managers believe that the TPS has reduced the clerical burdens of payroll accounting, there are many who also believe that the paperwork associated with the system could be further reduced. To this end, several managers alleged that they are currently receiving more output reports from the TPS than are required or desired for local management purposes.

3. The most common grievances that field activity managers have for the TPS are getting errors corrected within the system and poor telephone communications between their activities and the TPS.

As described in Chapter II, the TPS produces a series of payroll reports and paychecks for nearly 20,000 NAF employees on a bi-weekly basis. It provides for the central collection of all employee benefits, makes automatic deductions for FICA, FUTA, and Federal and State Income Tax withholdings, and is programmed to automatically conform to DOD wage policy guidelines. Given the scope, complexity, and newness of the

system, it is not surprising that some activities are presently experiencing technical or procedural problems in adjusting to an entirely new way of doing business. That a majority of managers are already finding satisfaction with the system is, in the opinion of the author, a positive indication that the system itself and the current TPS implementation strategy are effective and will more than likely improve as the program matures.

B. CONCLUSIONS AND RECOMMENDATIONS

As outlined at the beginning of Chapter III, the underlying motives for this study evolved from two entirely different views concerning the efficiency and effectiveness of the centralized accounting, banking, and payroll systems that are operated and/or supported by NAFAS. On the one hand, senior NAF officials generously lauded the many accomplishments of NAFAS and centralized systems by maintaining that they have:

1. Generated substantial sums of money for additional investments in Navy morale, welfare, and recreation programs.
2. Provided a much needed cash control element in the NAF flow process.
3. Significantly reduced the workloading of field activity bookkeepers by systematically removing various aspects of accounting, banking, and payroll from the local level to a higher level.

4. Provided greater flexibility and more meaningful financial management information to system's users.

On the other hand, fellow students at the Naval Postgraduate School (with prior experience in NAF accounting) verbally alleged that:

1. Because of the time delays associated with their receipt, field activity managers derive little or no practical value from the monthly financial statements that are provided by NAFAS.

2. Late receipt of NAFAS accounting products causes a duplication of effort at the field activity level. Managers must concurrently support local demands for financial management and accounting information while feeding accounting source documents into NAFAS. Accordingly, workloading has actually increased and not decreased as a result of centralizing the NAF accounting, banking, and payroll processes. .

3. Centralized accounting and banking procedures are especially frustrating to overseas activities due to mail delays and/or to activities that are not conveniently located near a banking facility.

4. When occurring, errors in the centralized accounting and banking system take a long time to correct.

5. Because of inadequate training support, technical documentation, and/or their sheer dislike for the accounting information that is provided by NAFAS, many local commanders and field activity managers do not fully understand or make

use of all of the financial management information which is provided to them by NAFAS on a monthly basis.

In the paragraphs that follow, specific conclusions concerning the centralized accounting, banking, and payroll systems are developed and compared with the conflicting views that gave birth to this study. Additionally, recommendations are made by the author as possible improvements to these centralized NAF systems and procedures that are currently in place.

1. The first major conclusion of this study is that, despite the best intentions and efforts by NAFAS to provide timely accounting services to field activities, additional improvements are needed. Fellow students of the Naval Postgraduate School were correct in alleging that mailing delays are frustrating to many field activity users and that they diminish both the efficiency and effectiveness of the services provided by NAFAS. In the opinion of the author, the following improvements should be technically and economically evaluated as possible short term and long term solutions to the more timely delivery of accounting information to field activities:

1. Short term improvements:

a. For overseas activities, end of the month accounting reports should be transmitted via radio teletype message. If need be, an abbreviated format should be used.

b. For activities located in the continental United States, use of express mail deliveries should be evaluated.

2. Long term improvements:

a. All MWR field activities should be linked to NAFAS through some form of modern teleprocessing. For overseas activities, the use of satellite links should be investigated.

In the opinion of the author, the substitution of distributive teleprocessing for postal deliveries warrants serious evaluation. Under such a system, each field activity would be provided with a remote, interactive computer terminal and printer for the purpose of inputting accounting source data directly into NAFAS on a "real-time" basis and receiving back a variety of financial management information and accounting reports could be electronically transmitted to each field activity on request. An arrangement such as this could be made to fully service the immediate accounting needs of field activity managers while eliminating the requirement to manually process and mail thousands of accounting source documents and reports on an annual basis. It is common knowledge that, over the past ten years, the costs of computer technology have dramatically declined through commercial competition. In the opinion of the author, now is the time to begin evaluating state-of-the-art teleprocessing systems in terms of their current and projected costs and potential benefits to the centralized NAF accounting system. In so doing, all costs

that would be eliminated by teleprocessing should be factored into such an analysis. As a minimum, these would include current costs of paper, envelopes, and the salaries of NAFAS personnel that would no longer be required (e.g., clerks, key-punch operators, etc.).

2. The second major conclusion of this study is that, in one form or another, duplicate accounting and financial reporting are "fact-of-life occurrences" at most field activities. In proclaiming the various accomplishments of the centralized accounting system, senior NAF officials should keep this in mind. Conversely, the increased administrative burdens that duplicate accounting and reporting have actually placed on field activity managers do not appear to be as dramatic or cumbersome as the author was initially led to believe by fellow students of the Naval Postgraduate School.

As discussed in previous sections of this study, requirements for duplicate accounting tend to be disproportionately blamed on the delayed receipt of NAFAS accounting reports following the end of each accounting period. In many instances, local management preferences and needs play an equally important or even greater role in the generation of duplicate accounting information. Again, the author's recommended solution to this problem is to install "real time," distributive teleprocessing at each MWR field activity to enable managers to input into and draw upon a single set of accounting source data and to further enable them to call up their own, self-structured accounting reports as frequently as they desire.

3. The third major conclusion of this study is that fellow students of the Naval Postgraduate School were incorrect in alleging that delays in the receipt of monthly financial statements from NAFAS cause field activity managers to derive little or no practical value from them. Although the overall efficiency and effectiveness of NAFAS products and services are diminished by mailing delays, a decided majority of field activity managers agree that a substantial amount of valuable, supplementary financial management information is still obtainable from the monthly financial statements. Specifically, NAFAS accounting reports provide managers with an excellent tool for verifying locally developed accounting information, gaining additional insights into the problems of their activities, and are useful in the planning of future budgets.

4. The fourth major conclusion of this study is that there is substantial room for improvement in the training support and technical documentation that are currently being made available to field activity managers. To improve this situation, it is strongly recommended that all publications, instructions, notices, and memoranda that now govern the financial management and accounting of Navy morale, welfare, and recreation activities be concurrently reviewed and updated by NAFAS, NSSAA, and the Office of the Navy Comptroller (NAV-COMPT) to:

- a. Ensure consistency of terms and definitions.

b. Eliminate as many unnecessary documents as possible through consolidation.

c. Ensure that current policies and procedures are accurately and understandably set forth in writing. Wherever possible, visual aids such as diagrams and flow charts should be used to clearly illustrate organizational responsibilities and accounting procedures.

d. Explain the mission and purpose of the Navy's NAF flow process, including the sources and uses of Non-appropriated funds, the organization and mission of NAFAS and NMPC-65, and the philosophy behind and dollar benefits derived from centralized accounting, banking, and payroll systems. To this end, an expanded version of Chapter II of this study would provide an excellent tutorial for field activity managers who are relatively new in their jobs.

As discussed in Chapter III, senior NAF officials are already aware of the need to pursue the above recommendations. As of this writing, the Navy's accounting handbook, Non-appropriated Fund Accounting Procedures (NAVSO P-3520), is in the process of being revised and newly developed, self paced training courses are being prepared and distributed by the Navy Special Services Administrative Activity (NSSAA).

5. The fifth major conclusion of this study is that the Comparative Analysis Section of the MCAS Operations Statement should be discarded and replaced with a reporting measure that more MCAS managers would be willing to use and support.

In their narrative responses, a few survey participants suggested that a more credible approach to measuring the performance of MCAS activities would be to compare the actual performance of each activity during the accounting period with its approved budget for the same period. The theory behind this approach is that each activity's approved budget is essentially an approved operating standard that properly accounts for environmental differences between activities such as size, location, competition, and other variables. The author concurs with the underlying philosophy and credibility of this approach and recommends that it be used.

6. Despite contrary allegations by students of the Naval Postgraduate School, the sixth major conclusion of this study is that the implementation of centralized accounting, banking, and payroll systems has reduced workloading for a majority of field activities and has reduced the total number of accounting and bookkeeping personnel that are required to support field activity operations as a whole. Although actual personnel reductions have been concentrated in a small number of activities (less than twenty percent of those surveyed) and therefore have not been visible to most field activity managers, substantial manhour savings have nevertheless been achieved. Based on the narrative and pro forma responses of most field activity managers, workloading and personnel reductions that have been claimed by senior NAF officials appear to be justified.

7. The seventh major conclusion of this study is that, despite the impressive profits that are being generated through the use of centralized/concentration banking procedures, further administrative and financial improvements should be undertaken. While senior NAF officials claim that current banking procedures have added a much needed cash control element to the NAF flow process, many field activity managers believe that the current system is administratively inefficient. As demonstrated in their narrative survey responses, current check clearing and stop payment procedures are considered by many managers to be untimely, an unnecessary usurpation of local authority, and tend to offset any advantages that are achieved by not having to reconcile their own local bank accounts. In the opinion of the author, NAFAS should investigate these problems and identify potential solutions for them. In this regard, the author believes that current procedures for administering the central bank system may be overly centralized relative to that which is actually required to achieve an effective cash control element within the NAF flow process. As a minimum, it is recommended that consideration be given to authorizing field activity managers to initiate stop payment and check replacement procedures without the prior approval of NAFAS.

As discussed in the author's significant findings, potentially larger earnings on field activity profits are believed to be attainable through a more rapid transfer of cash from

local banks into the central bank. Therefore, it is strongly recommended that NAFAS investigate alternative cash transfer methods whereby local bank deposits are automatically transferred into the central bank on the day of deposit or no later than the day following deposit. In the opinion of the author, prospects for the implementation of a more rapid cash transfer system should be jointly reviewed with prospects for implementing "real-time," teleprocessing methods for accounting. There is little doubt that their combined implementation would greatly enhance both the efficiency and effectiveness of the current accounting and banking systems. Whether or not they are affordable is yet another matter.

8. The eighth major finding of this study is that difficulties in correcting administrative errors are a problem with all three centralized systems (e.g., accounting, banking, payroll). In the opinion of the author, there is no singular or simple solution to solving this problem other than to suggest that NAFAS be consciously aware that the problem exists and to investigate complaints associated with each system on a case by case basis to determine what, if anything, can be done to more rapidly correct errors that have occurred.

9. The ninth major conclusion of this study is that, despite the individual and collective grievances that field activity managers have for the centralized accounting, banking, and payroll services that are provided by NAFAS, a majority of them believe that these services provide increased management

flexibility in their day to day operations. This conclusion substantiates similar previous claims by senior NAF officials.

10. The tenth and final conclusion of this study is that currently existing accounting, banking, and payroll procedures are preferable to the decentralized methods that preceded them. This view is unanimously supported by senior NAF officials and endorsed by a decided majority of field activity managers. From a headquarters standpoint, current accounting, banking, and payroll systems provide for standardized, manageable procedures that ensure systematic control over the collection, investment, and balanced redistribution of increased NAF resources for the betterment of Navy MWR programs as a whole. Despite the individual grievances that many managers have for these systems, a majority believe that their basic financial management needs are being adequately serviced and that continuing with the present systems is preferable to an increase in local overhead and personnel costs that would likely occur in the event of a return to decentralized accounting, banking, and payroll procedures.

As stated in the author's significant findings, most managers who favor a return to decentralized systems do so because of their basic, philosophical disagreement over the centralized pooling of interest income on field activity profits. In so doing, their primary grievances with centralized accounting, banking, and payroll systems are not attributable to specific shortcomings in the current products and

services that are provided by NAFAS. Instead, their frustrations are primarily directed toward Navy MWR policies as a whole. In Section F of Chapter II, the author previewed the need to segregate NAFAS-related problems from the grievances that field activity managers might share for Navy-wide MWR policies in general. Although included as a significant finding in this study, it should be pointed out that senior NAF officials are already well aware of the dissatisfaction that some field activity managers have for the centralized pooling of interest income and that the setting of this policy was not originated by NAFAS. As previously described, this policy was originated at the highest levels of the Navy in an attempt to preserve current MWR services for Navy members while making them less dependent on federally appropriated funds. .

C. CONCLUDING REMARKS

Previously discussed findings, conclusions, and recommendations are believed by the author to have substantial, individual significance. However, their collective meaning is of equal or greater importance to this study. In the opinion of the author, the combined impact of previously stated findings and conclusions gives rise to the following broader conclusions:

1. The accounting, banking, and payroll systems that are operated or sponsored by NAFAS are far from perfect. However, these systems and the procedures that govern them have

collectively contributed to substantial improvements in the Navy's NAF flow process in terms of increased revenues, man-hour savings, standardization, and increased discipline in the overall management of the Navy's NAF resources. From a system-wide point of view, nearly all of the positive claims that have been made by senior NAF officials regarding the performance of these systems appear to be true, especially when indexed against the decentralized management and investment methods that preceded them.

2. Environmental differences between various MWR field activities are extremely important and should never be underestimated by senior NAF officials.

3. Within the resources that it commands, NAFAS has done a reasonably good job in delivering the most timely, accurate, and useful accounting, banking, and payroll information that it can to field activity subscribers. However, the following improvements are believed to be attainable with existing or slightly greater resources:

a. Increased sensitivity to field activity problems through the development of a formal feedback mechanism (e.g., simple reporting system) with which to monitor them.

b. A reformatting of MCAS reports to provide a more credible and useable financial management tool to field activity subscribers.

c. Continued efforts to improve, then monitor the training support and technical documentation that are provided

to field activities. Although much of this responsibility rests with NAVCOMPT and NSSAA, NAFAS is also a participant in this process.

d. Improved communications with overseas activities, beginning with teletype communications as the first logical alternative to current reliance on overseas mail deliveries.

e. Improved cash transfer methods between local banks and the First National Bank of St. Louis.

f. A revised banking strategy that eliminates or reduces field activity frustrations with stop payment and cancelled check procedures. As a minimum, these problems deserve a closer look.

4. In the absence of major, system-wide hardware configuration changes, quantum improvements in the efficiency of the accounting and banking services that are currently provided by NAFAS should not be anticipated.

In concluding this study, it should be reemphasized that the frequently disparate views of senior NAF officials and field activity managers concerning the efficiency and effectiveness of centralized NAF systems are largely the product of their differing responsibilities and priorities within the Navy's NAF flow process. Each group has its own expectations and different methods for measuring the relative success or failure of these systems. On the one hand, senior NAF officials are driven to viewing the Navy's centralized accounting, banking, and payroll systems in collective terms by directing

their primary focus of attention and efforts toward the management, control, and generation of system-wide NAF resources. The provision of timely and accurate accounting and banking information to field activity managers is, in reality, a subsidiary goal or by-product of the larger goal to generate, invest, and redistribute these resources. As such, it must be accomplished with minimum expense so that the overall profitability goals of these systems will not be dampened. From the field activity perspective, the system-wide performance of the centralized accounting, banking, and payroll systems is understandably subordinate to the more immediate and pressing concerns for financial survivability and what these systems can do in solving local, financial management problems. Because of this, and the fact that field activities collectively devote much of their time to supporting these systems, it is not surprising that they place a high premium on the timely delivery of monthly financial statements from NAFAS and view this as the primary reason for the existence of NAFAS.

In all probability, it is unlikely that dramatic improvements in the efficiency of the Navy's centralized NAF systems can be achieved in the absence of significant start-up costs. However, this likelihood should not lead senior NAF officials to the predetermined conclusion that alternatives to presently installed systems are not worth investigating. In the opinion of the author, an analysis of available alternatives to

currently installed systems should be the first logical follow-on to this study and should include the prospects for incremental, time-phased improvements as well as wholesale changes.

Whether or not dramatic improvements in centralized NAF systems are economically attainable must logically be determined from objective, cost-benefit analysis. In suggesting such an analysis, the author has by no means intended to imply that immediate changes of any kind will be the automatic outcome. However, it is firmly believed that properly conducted analysis would at least serve the purpose of forcing senior NAF officials to objectively evaluate the financial tradeoff between costs and increased efficiency, and to formally determine where their own priorities lie with respect to providing improved accounting and banking services to MWR field activities. Having done this, the results of such an analysis should be formally communicated to field activity managers, informing them of prospective improvements or educating them in the economic realities that preclude such improvements. In the opinion of the author, this approach would not only enable senior NAF officials to formally express an interest in field activity problems but would also lend itself to further educating field activity managers in the mission, objectives, and competing priorities within NAFAS and the underpinnings of the Navy's NAF flow process as a whole.

APPENDIX A

IMPORTANT DEFINITIONS ASSOCIATED WITH NAVY MORALE, WELFARE, AND RECREATION PROGRAMS

1. Morale, Welfare, and Recreation (MWR) Activities. Those activities located on military installations or on property controlled (by lease or other means) by a Military Department or furnished by a DOD Contractor, which provide for the comfort, pleasure, contentment, and mental and physical improvement of authorized DOD personnel in terms of providing recreational and free-time programs, self-development programs, resale merchandise and services, or general welfare. MWR activities may be funded wholly with appropriated funds, primarily with non-appropriated funds, or with any combination of appropriated and non-appropriated funds. (Department of Defense Directive 1330.2 of 17 March 1978)
2. Morale, Welfare, and Recreation (MWR) Programs. Mission support actions, purposely designed for the comfort, pleasure, contentment, and mental and physical well-being of the service personnel, their dependents and other authorized personnel. (Department of Defense Directive 1330.2 of 17 March 1978)
3. Sale/Resale of Merchandise and Services. Pertains to the acquisition and resale of goods and services by MWR activities or concessionaires. Specifically excluded from this definition are activity fees and charges. (Department of Defense Directive 1330.2 of 17 March 1978)
4. Recreational Activities. Those activities involving all approved forms of leisure and social functions including both Recreation, Mess, and Club Activities. (Bureau of Naval Personnel Instruction 1710.11 of 11 March 1974, Navy Special Services Manual)
5. Recreation Funds. Recreation funds are nonappropriated funds which are created to provide support for recreation programs and services. (Bureau of Naval Personnel Instruction 1710.11 of 11 March 1974, Navy Special Services Manual)
6. Special Services Programs. Special Services Program is the term currently used in the Navy to identify the program originally called "Welfare and Recreation." It refers to the Recreation Program of the Navy. (Bureau of Naval Personnel Instruction 1710.11 of 11 March 1974, Navy Special Services Manual)

7. Recreation Activities. Recreation activities are the elements in the recreation program such as bowling, golf, tennis, swimming, crafts, music, fishing, etc. (Bureau of Naval Personnel Instruction 1710.11 of 11 March 1974, Navy Special Services Manual)
8. Nonappropriated Fund Instrumentality (NAFI). An integral DOD organizational entity which performs a Government function. It acts in its own name to provide or assist other DOD organizations in providing morale, welfare, and recreational programs for military personnel and authorized civilians. It is established and maintained individually or jointly by the heads of the DOD Components. As a fiscal entity, it maintains custody of and control over its non-appropriated funds. It is also responsible for the exercise of reasonable care to prudently administer, safeguard, preserve, and maintain those appropriated fund resources made available to carry out its function. With its nonappropriated funds, it contributes to the morale, welfare, and recreational programs of other authorized organizational entities when so authorized. It is not incorporated under the laws of any State or the District of Columbia and it enjoys the legal status of an instrumentality of the United States. (Department of Defense Directive 1330.2 of 17 March 1978)
9. "MWR Field" Activities or "Field" Activities. Although nowhere defined in formal doctrine, these terms are typically used to describe all operational units or activities which are subordinate and external to headquarters level operations. For the purposes of this study, the term "MWR field activities" shall refer to all Non-appropriated Fund Instrumentalities (NAFI'S) currently participating in the centralized accounting, banking, and payroll systems coordinated by the Nonappropriated Fund Accounting System Section (NAFAS).
10. Recreation Fund Activities. This term has been developed by the author and, for the purpose of this study, refers to the management entity within a Navy Command which is responsible for the administration, accounting and financial management of the local command recreation fund. The reason for originating this descriptive title is cited in the text of this story. (See Chapter II, Section B)

APPENDIX B

CATEGORIES OF MORALE, WELFARE, AND RECREATION ACTIVITIES AND SUPPORTING NAFIS

CATEGORIES OF MORALE, WELFARE AND RECREATION ACTIVITIES AND SUPPORTING NAFIS

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MWR ACTIVITIES
I Armed Services Exchanges	Includes the functions of providing through the Exchange system (a) reimbursable goods and services to authorized patrons, and (b) funds to support other designated morale programs.	Headquarters Level Exchange Fund Retail store Soda fountain & snack bar Beer bar Gasoline filling station Car wash Restaurant & cafeteria Barber shop Beauty parlor Automobile garage & service station Civilian dining vending activities and services Academic book store Cadet restaurant Store and Stripes Audio Club (records) Class VI stores (alcoholic beverage package stores)
II Other Morale & Revenue-Sharing	Includes the functions of providing, other than through Exchanges, (a) reimbursable goods and services to authorized patrons, and (b) funds to support other designated morale programs.	Laundry Watch repair shop Radio & television repair shop Tailor shop, including dry cleaning & pressing Shoe repair shop Photographic studio Vending & amusement machines Grocery section (when specifically authorized) Taxis & bus service Beverage stands
III Military General Welfare & Recreation	Includes the functions of providing welfare and recreation programs for military personnel. Category III A Nonappropriated Fund Instrumentalities provide nonappropriated fund support to those MWR activities in category III B. Category III B activities are generally administered by special services or recreation directors/officers. These activities are divided into three groupings for funding support as indicated in enclosure A. Category III B activities will not be established, organized, or operated as Nonappropriated Fund Instrumentalities.	<div> <p>III A Headquarters Level MWR & R Fund Major Command Level MWR & R Fund Installation Level MWR & R Fund Company Unit Level MWR & R Fund Inmate Confinement Welfare Fund</p> <p>III B</p> <p>GROUP 1 Libraries Sports Athletic, self-directed & unit level/intramural Recreation centers/rooms Shipboard & isolated/deployed unit motion pictures (free admission) Armed Forces professional entertainment overseas Unit level programs/activities</p> <p>GROUP 2 Arts & crafts (including automotive) Entertainment (including music & theatre) Outdoor recreation Swimming pools Youth activities Sports-competitive (above intramural) Child care centers Stables Marines (6 lands or less) Bowling</p> <p>GROUP 3 Bowling (more than 6 lanes) Motion pictures (paid admission) Hinge Golf Skating rink Pro shops Snack bars operated by recreation programs Sheet trap ranges Armed Forces recreation centers Cabin cottages</p> </div>

* When not operated as an integral part of another activity

SOURCE: DOD INSTRUCTION 1330.2

CATEGORIES OF MORALE, WELFARE AND RECREATION ACTIVITIES AND SUPPORTING NAFLS

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF INR ACTIVITIES
IV Civilian Employee General Welfare & Recreation Open Messes	Includes the functions of providing welfare and recreation programs for civilian personnel.	Headquarters Civilian Employee General Welfare & Recreation Fund Major Command Civilian Employee General Welfare & Recreation Fund Installation Civilian Employee General Welfare and Recreation Fund Civilian welfare/recreation activities
V Open Messes	Includes the function of providing messing, and essential feeding where required, as well as social programs, services and facilities to membership groups.	Headquarters Level Military Open Mess Fund Major Command Level Military Open Mess Fund Installation Club Management Office Commissioned Officers Mess Open Senior Staff MCO/CFO Mess Open MCO/IO Mess Open Enlisted Mess Open Consolidated Mess Open * Eating and under construction only. Future swimming pools and tennis courts will be in category III.
VI Other Membership Associations	Includes the function of providing morale programs, services, and facilities (other than open messes) to special interest groups. These NAFLs neither receive revenue from nor dis-tribute dividends to other NAFLs. Merchandise is sold only to members and is directly related to the purpose and function of the membership association.	Headquarters Membership Association Fund Major Command Membership Association Fund Aero (flying) Astronaut radio Boating/sailing Other membership associations may be authorized by the DoD Components provided that facilities and activities do not duplicate those in category III B.
VII Common Support Service Non-appropriated Fund instrumentalities	Includes all Nonappropriated Fund instrumentalities performing consolidated support services functions such as accounting, procurement, or personnel services for more than one category of NAFLs. Does not include staff management functions at installation, major command, or Service headquarters levels, the costs of which are allocated to the benefiting categories.	Headquarters Level Common Support Services Fund Major Command Level Common Support Services Fund Installation Common Support Services Fund

SOURCE: DOD INSTRUCTION 1330.2

CATEGORIES OF MORALE, WELFARE AND RECREATION ACTIVITIES AND SUPPORTING MATS

CATEGORY	EXPLANATION OF EACH CATEGORY	TYPES OF MWR ACTIVITIES
VIII Support-Mission Service Non-appropriated Fund Instrument- (referred to in DoD Instruction 7000.12 (reference (h)) as "Activity Management")	Include all Nonappropriated Fund Instrument-activities providing MWR services as adjuncts to training, health, billeting, or other mission support programs. (NOTE: Costs of mission support programs will be reported assigned to these programs will be reported IAW DoD Instruction 7000.12 only to the extent that they relate directly to the Non-appropriated Fund instrumentality or its functions. For example, costs of operating billeting will not normally be charged to category VIII. Billeting fund activities are limited to those that supplement the appropriated fund program supporting the billeting mission, e.g., provision of room maid service.)	Headquarters Level Supplemental Mission Fund Academy Dining Hall Supplemental Mission Fund Billeting/Housing (includes temporary lodging facilities & guest houses) Supplemental Mission Fund Theyer Hotel Supplemental Mission Fund Cadet Awards Supplemental Mission Fund Chaplain Religious Fund Dependent School Supplemental Mission Fund In-Flight Services Supplemental Mission Fund Military Museum/Museum Supplemental Mission Fund Vehicle Registration Supplemental Mission Fund Animal Care Fund Voluntary Contribution Supplemental Mission Fund Academic Support Supplemental Mission Fund Commandant's School Supplemental Mission Fund Special Learning Center Supplemental Mission Fund West Point Tailor Shop Supplemental Mission Fund Athletic Association Supplemental Mission Fund United States Disciplinary Barracks Supplemental Mission Fund Cadet Publications Supplemental Mission Fund

NOTE: This list of MWR activities is not intended to be all inclusive. DoD Components may approve additional MWR activities in appropriate categories as required. Management of MWR activities will be consistent with their categorization. Open messes (cat. V) may manage alcoholic beverage stores (cat. II) and Exchanges (cat. I) may manage paid-admission motion pictures (cat. III B), provided that separate income and expense records are maintained. Items of DoD Components may authorize similar management arrangements, for efficiency or economy, provided that resources are allocated and financial operations are reported in accordance with DoD categorization.

SOURCE: DOD INSTRUCTION 1330.2

APPENDIX C

BUPERS INVESTMENT SUMMARY

PAGE 01

BUPERS

INVESTMENT SUMMARY

AS OF 03/31/81

INVESTMENTS:

CERTIFICATES OF DEPOSIT	\$ 56,200,000.00	\$ 7,800,000.00
MUTUAL FUNDS		
TREASURIES AND AGENCIES	\$ 41,685,115.00	
RE-PURCHASE AGREEMENTS	\$ 4,500,000.00	
TOTAL INVESTMENTS	\$108,385,115.00	
CENTRAL FUNDS	\$ 35,396,083.75	
ACAS LOANS PAYABLES	\$ 25,872,291.89	
BLAE LOANS PAYABLES	\$ 47,115,939.36	
TOTALS	\$108,385,115.00	

	MAR 81	FLU 81	90 DAYS	120 DAYS	180 DAYS	360 DAYS
AVERAGE MATURITY	131 DAYS	115 DAYS				
AVERAGE RETURN ON TOTAL PORTFOLIO	12.90X	12.87X				
AVERAGE RETURN ON CD INVESTMENTS	15.58X	14.90X				
AVERAGE RETURN ON TA INVESTMENTS	9.92X	9.92X				
INFLATION AS MEASURED BY C.T.I.	0.00X	12.00X				
LATEST AVAILABLE CD RATES	14.00	14.00	14.00	14.00	14.00	12.00
INTEREST EARNED	1,165,267.91	1,045,730.16	1,420,470.90	6,291,083.44	5,223,500.00	6,684,431.59
PROFITS REALIZED ON TREASURY AND AGENCY BIDDING FISCAL YEAR TO DATE	\$ 33,161.25					
TOTAL INTEREST ON BONDS FISCAL YEAR TO DATE	\$201,409.83					

SOURCE: NAFAS

APPENDIX D

NAFAS COST PERFORMANCE

NAFAS COST PERFORMANCE

	FY- 1975	FY- 1976	FY- 1977	FY- 1978	FY- 1979	FY- 1980	BUDGET FY-81
ANNUAL NAFAS COSTS	\$775K	\$890K	\$916K	\$856K	\$960K	\$983K	\$1,020
TOTAL ACTIVITIES	648	748	788	780	730	730	730
AVERAGE MONTHLY COST TO ACTIVITY	\$100	\$ 99	\$ 97	\$ 91	\$110	\$112	\$116
AUTHORIZED NAFAS BILLETS	58	58	59	* 51	** 57	49	50

* NAFAS REORGANIZATION

** ADDITIONAL STAFF TO PREPARE MCAS LOCAL BANK RECONCILIATION

*** FY-80 STRATEGY STAFF REDUCTIONS

EXAMPLES OF JOB-1 COMPUTER REPORTS

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RCBS DAILY ERROR LIST										PAGE 10			
ENV	ACTV	ENV	SRCF	DOC	CHECK	PAGE	DATE	CODES	ACCOUNT	DEBIT AMOUNT	CREDIT AMOUNT	THRU	
78	9-14	12	22	222	30-10-46-52	52	80-12-31-56	16-20	37	60	70	1-25	
02	711006	19	64	044	02/21/81		611	00		21.00		00164	
02	711006	19	64	044	02/21/81		661	90		1.50		00165	
02	711006	19	64	044	02/21/81		861	00		115.00		00166	
02	711006	19	64	044	02/21/81		898	00		5.00		00167	
02	711006	19	64	044	02/21/81		961	00		11.50		00168	
02	711006	19	64	044	02/21/81		961	00		40		00169	
DDE/CHK TOTAL										0.00			
SOURCE TOTAL										8.060.37		00170	
ENVELOPE CONTROL TOTAL										14,987.91	16,987.91	5-615.92	00171
02	711012	15	04	097	02/22/81		111	01		2,036.00		00172	
02	711012	15	04	097	02/22/81		150	04		45.00		00173	
02	711012	15	04	097	02/22/81		219	00		44.50		00174	
02	711012	15	04	097	02/22/81		440	A1		235.50		00175	
02	711012	15	04	097	02/22/81		440	A4		25.50		00176	
02	711012	15	04	097	02/22/81		440	A6		24.40		00177	
02	711012	15	04	097	02/22/81		440	B3		2.75		00178	
02	711012	15	04	097	02/22/81		440	B5		166.45		00179	
02	711012	15	04	097	02/22/81		440	C1		16.25		00180	
02	711012	15	04	097	02/22/81		440	C9		18.75		00181	
02	711012	15	04	097	02/22/81		440	01		58.00		00182	
02	711012	15	04	097	02/22/81		440	04		90.00		00183	
02	711012	15	04	097	02/22/81		440	05		366.25		00184	

APR. 01, 1961		MCAS JOB #108448 VAL'D ENVELOPES		PAGE 1
ACTIVITY	ENR	AMOUNT		
0005	06	5,938.00		
0108	29	1,684.37		
0108	98	109.44		
0111	21	19,977.34		
0316	10	1,256.55		
0318	10	669.55		
0320	11	15,079.90		
0323	98	302.06		
0324	14	8,342.87		
0325	17	4,056.05		
0327	29	7,705.81		
0333	11	12,026.79		
0336	04	13,553.90		
0339	05	3,656.50		
0342	99	17.25		
0345	19	4,408.05		
0346	13	10,152.83		
0346	14	35,305.42		
0359	06	13,051.55		
0401	22	12,087.57		
0402	22	4,947.69		
0404	20	2,079.10		
0404	21	1,549.60		
0404	22	22,627.83		
0502	15	2,686.66		

APR. 02, 1981		RCAS JOB #1 DAILY VALUO ENVELOPES		PAGE 1	
ACTIVITY	ENV	COST	RETAIL		
701-07	15	1,485.25	-00		
701-07	16	1,770.15	-00		
701-11	11	122.07	-00		
703-06	03	16,055.69	4,345.00		
704-10	19	1,002.54	-00		
705-09	04	289.03	-00		
705-13	17	1,834.30	-00		
705-13	18	1,738.72	-00		
705-16	11	6,321.91	756.00		
706-07	08	26,055.69	-00		
709-04	06	56.13	-00		
709-05	10	36,066.82	3,531.40		
710-08	10	6,126.53	-00		
714-04	97	738.40	-00		
714-07	21	97.10	-00		
716-03	09	762.55	-00		
716-04	22	12,233.99	-00		
719-11	09	6,158.88	-00		
721-10	15	1,075.70	-00		
721-10	16	3,655.29	120.00		
721-11	11	4,783.51	-00		
721-11	12	5,806.42	-00		
724-03	18	26,566.36	6.00-		
726-12	03	1,720.45	-00		
727-05	03	9,731.67	2,448.00		

MAR-04-1981		MCAS MONTH-18-PAGE 18		ENVELOPE LOG		PAGE 2	
ACTIVITY		ENVELOPE NUMBER		DATE		ENV CONTROL TOTAL	
0106		18	02/23/81	1	02/23/81	1.847.39	1.847.39
		19	02/23/81	1	02/23/81	1.847.39	1.847.39
		20	02/23/81	1	02/23/81	1.847.39	1.847.39
		21	02/23/81	1	02/23/81	1.847.39	1.847.39
		22	02/23/81	1	02/23/81	1.847.39	1.847.39
		23	02/23/81	1	02/23/81	1.847.39	1.847.39
		24	02/23/81	1	02/23/81	1.847.39	1.847.39
		25	02/23/81	1	02/23/81	1.847.39	1.847.39
		26	02/23/81	1	02/23/81	1.847.39	1.847.39
		27	02/23/81	1	02/23/81	1.847.39	1.847.39
		28	02/23/81	1	02/23/81	1.847.39	1.847.39
		29	02/23/81	1	02/23/81	1.847.39	1.847.39
		30	02/23/81	1	02/23/81	1.847.39	1.847.39
		31	02/23/81	1	02/23/81	1.847.39	1.847.39
		32	02/23/81	1	02/23/81	1.847.39	1.847.39
		33	02/23/81	1	02/23/81	1.847.39	1.847.39
		34	02/23/81	1	02/23/81	1.847.39	1.847.39
		35	02/23/81	1	02/23/81	1.847.39	1.847.39
		36	02/23/81	1	02/23/81	1.847.39	1.847.39
		37	02/23/81	1	02/23/81	1.847.39	1.847.39
		38	02/23/81	1	02/23/81	1.847.39	1.847.39
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		44	02/23/81	1	02/23/81	1.847.39	1.847.39
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		160	02/23/81	1	02/23/81	1.847.39	1.847.39
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		175	02/23/81	1	02/23/81	1.847.39	1.847.39
		176	02/23/81	1	02/23/81	1.847.39	1.847.39
		177	02/23/81	1	02/23/81	1.847.39	1.847.39
		178	02/23/81				

FEB. 24, 1981		RCAS MONTH-10-9AN-1981 ENVELOPE LOG		PAGE 2	
ACTIVITY	ENVELOPE NUMBER	DATE VALID	ENV CONTROL	ENV CONTROL	DETAIL
702-007		CLOSED ON 2/10/81			
703-003		CLOSED ON 2/13/81			
703-009		CLOSED ON 2/13/81			
703-011		CLOSED ON 2/13/81			
703-012		CLOSED ON 2/13/81			
703-013		CLOSED ON 2/13/81			
703-014		CLOSED ON 2/13/81			
703-015		CLOSED ON 2/13/81			
703-016		CLOSED ON 2/13/81			
704-001		CLOSED ON 2/17/81			
704-003		CLOSED ON 2/17/81			
704-004		CLOSED ON 2/17/81			
704-005		CLOSED ON 2/20/81			
704-006		CLOSED ON 2/12/81			
704-007		CLOSED ON 2/17/81			
704-008		CLOSED ON 2/17/81			
704-009		CLOSED ON 2/17/81			
704-010		CLOSED ON 2/13/81			
704-012		CLOSED ON 2/17/81			
704-013		CLOSED ON 2/17/81			
704-016		CLOSED ON 2/12/81			
704-017		CLOSED ON 2/12/81			
704-019		CLOSED ON 2/13/81			
704-020		CLOSED ON 2/17/81			
704-021		CLOSED ON 2/17/81			
704-023		CLOSED ON 2/13/81			
709-003		CLOSED ON 2/10/81			

INVESTMENT SUMMARY

AS OF 03/31/81

INVESTMENTS:

CERTIFICATES OF DEPOSIT	\$ 56,200,000.00	
MUTUAL FUNDS		\$ 7,800,000.00
INSURANCES AND AGENCIES	\$ 47,685,115.00	
RE-PURCHASE AGREEMENTS	\$ 4,500,000.00	
TOTAL INVESTMENTS	\$108,385,115.00	
CENTRAL FUNDS	\$ 35,396,883.75	
NCAS LOANS PAYABLES	\$ 25,872,291.89	
BLAS LOANS PAYABLES	\$ 47,115,939.36	
TOTALS	\$108,385,115.00	

	MAR 81	FEB 81	MAR 80	TO DATE ACTUAL	TO DATE BUDGETED	TO DATE 80/81
AVERAGE MATURITY	131 DAYS	115 DAYS				
AVERAGE RETURN ON TOTAL PORTFOLIO	12.90%	12.67%				
AVERAGE RETURN ON CD INVESTMENTS	15.56%	14.90%				
AVERAGE RETURN ON TA INVESTMENTS	9.92%	9.92%				
INFLATION AS MEASURED BY C.P.I.	0.00%	12.00%				
LATEST AVAILABLE CD RATES	90 DAYS 14.00%	120 DAYS 14.00%	180 DAYS 14.00%	360 DAYS 12.00%		
INTEREST EARNED	1,165,567.91	1,045,730.16	1,204,470.90	6,291,003.44	5,223,500.00	6,268,431.59

PROFITS REALIZED ON TREASURY AND AGENCY TRADING FISCAL YEAR TO DATE \$ 33,161.25

TOTAL INTEREST ON REPOS FISCAL YEAR TO DATE \$201,409.83

SOURCE: NAFAS

NAFAS COST PERFORMANCE

	FY- 1975	FY- 1976	FY- 1977	FY- 1978	FY- 1979	FY- 1980	BUDGET FY-81
ANNUAL NAFAS COSTS	\$775K	\$890K	\$916K	\$856K	\$960K	\$983K	\$1,020
TOTAL ACTIVITIES	648	748	788	780	730	730	730
AVERAGE MONTHLY COST TO ACTIVITY	\$100	\$ 99	\$ 97	\$ 91	\$110	\$112	\$116
AUTHORIZED NAFAS BILLETS	58	58	59	* 51	** 57	49	50

* NAFAS REORGANIZATION

** ADDITIONAL STAFF TO PREPARE MCAS LOCAL BANK RECONCILIATION

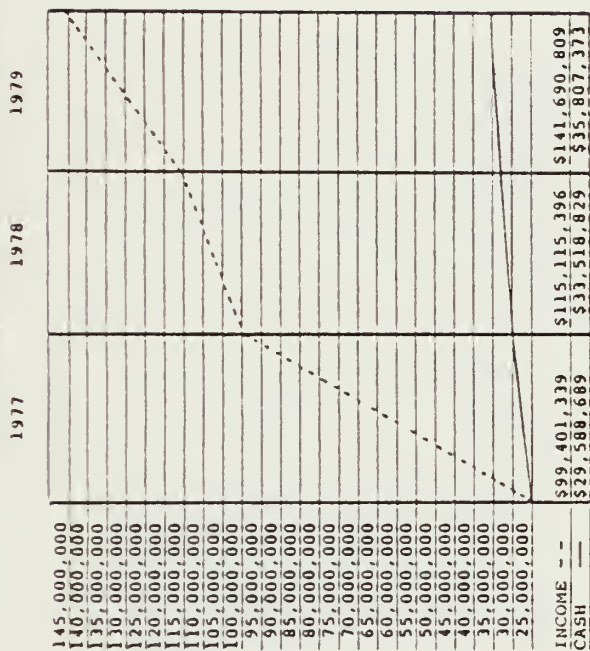
*** FY-80 STRATEGY STAFF REDUCTIONS

SOURCE: NAFAS

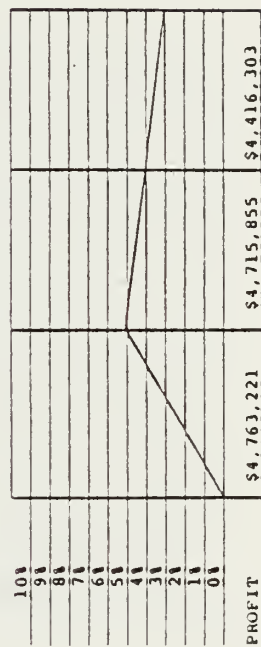
APPENDIX F

NAFAS PROFIT, INCOME, AND CASH STATISTICS

MESS PROFIT, INCOME AND CASH STATISTICS



PROFIT PERCENTAGE TO INCOME



CPS PROFIT, INCOME AND CASH STATISTICS

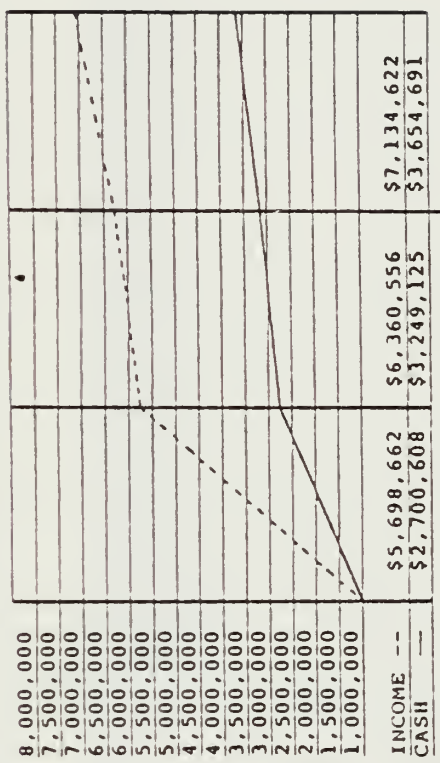
	1977	1978	1979
90,000,000			
85,000,000			
80,000,000			
75,000,000			
70,000,000			
65,000,000			
60,000,000			
55,000,000			
50,000,000			
45,000,000			
40,000,000			
35,000,000			
30,000,000			
25,000,000			
20,000,000			
15,000,000			
10,000,000			
5,000,000			
1,000,000			
INCOME --	\$76,761,654	\$83,273,245	\$87,001,346
CASH --	\$4,623,562	\$5,068,552	\$5,051,057

PROFIT PERCENTAGE TO INCOME

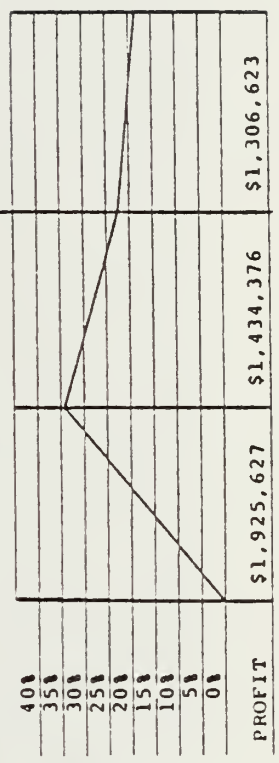
100			
90			
80			
70			
60			
50			
40			
30			
20			
10			
00			
PROFIT	\$1,740,940	\$1,966,418	\$1,464,142

BOQ PROFIT, INCOME AND CASH STATISTICS

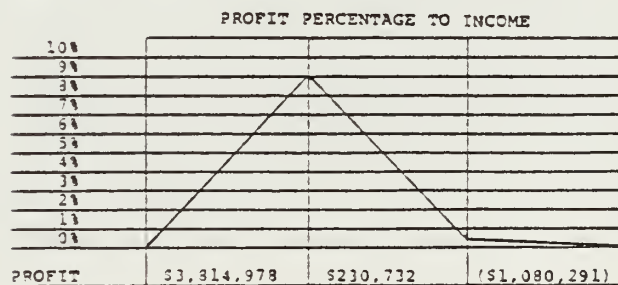
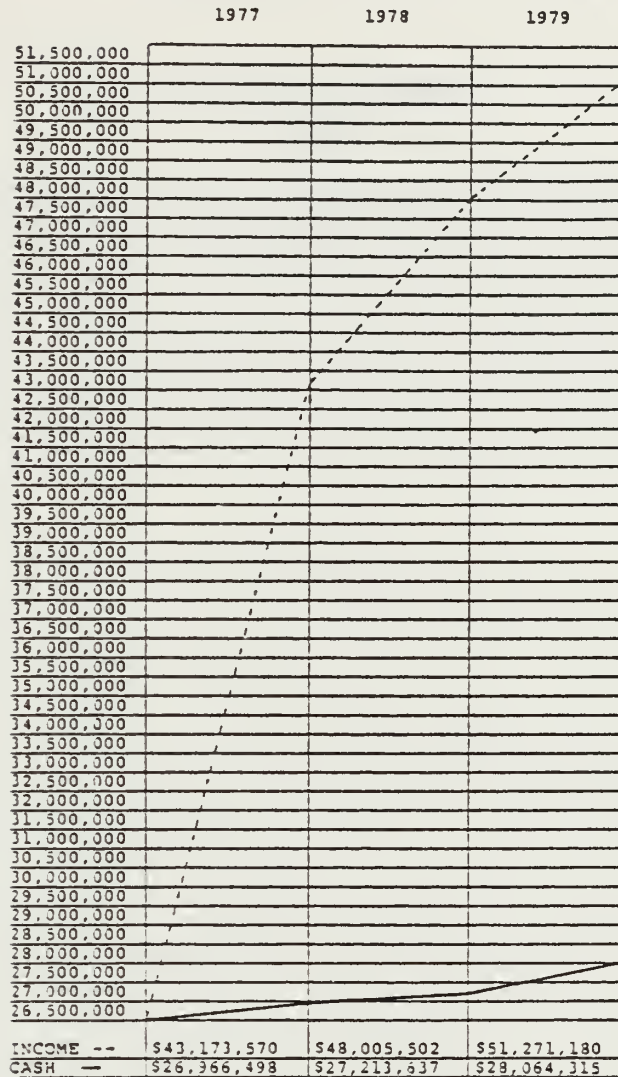
1977 1978 1979



PROFIT PERCENTAGE TO INCOME



RECREATION PROFIT, INCOME AND CASH STATISTICS

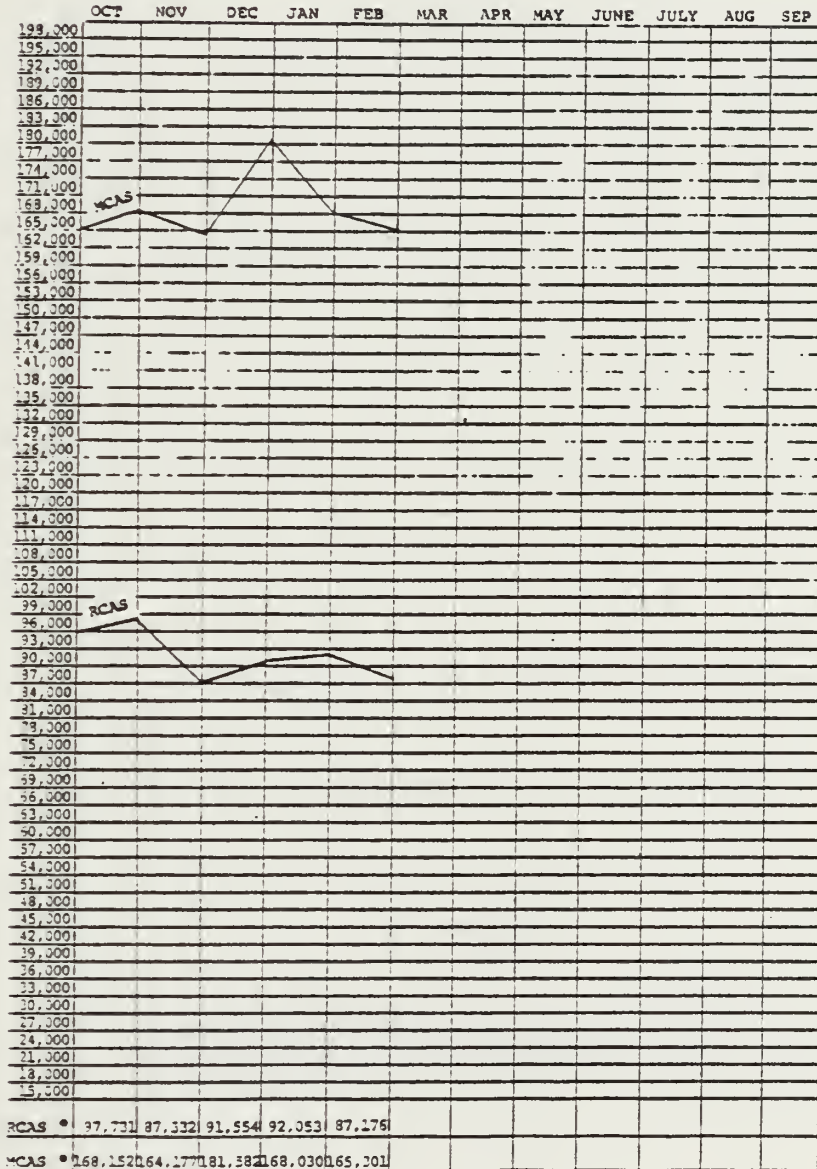


APPENDIX G

NAFAS VOLUME AND INTERNAL PERFORMANCE STATISTICS

TOTAL ACCOUNTING TRANSACTIONS

MCAS/RCAS
FY 81

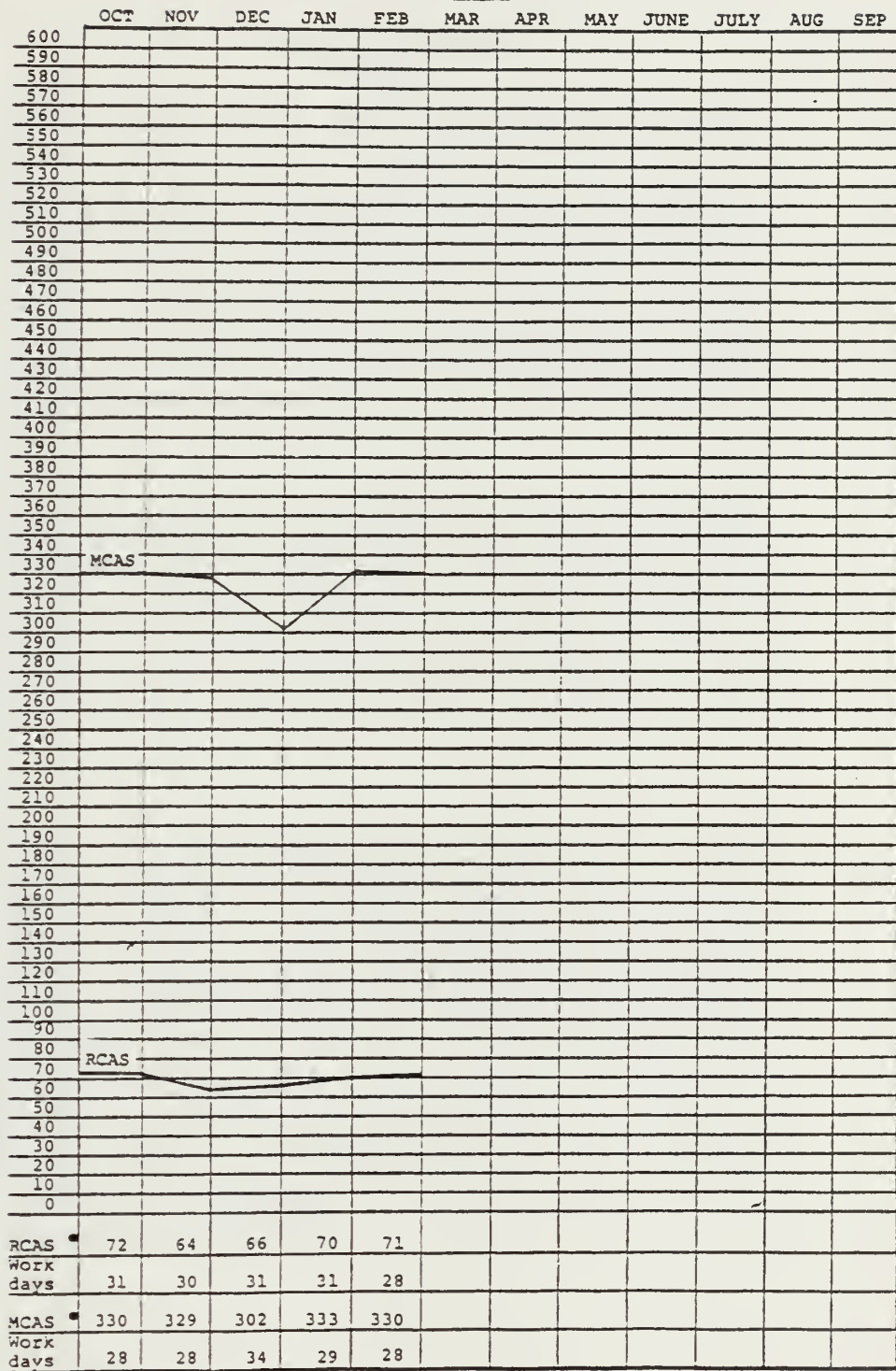


AVERAGE DAILY CASH TRANSFER - MCAS & RCAS

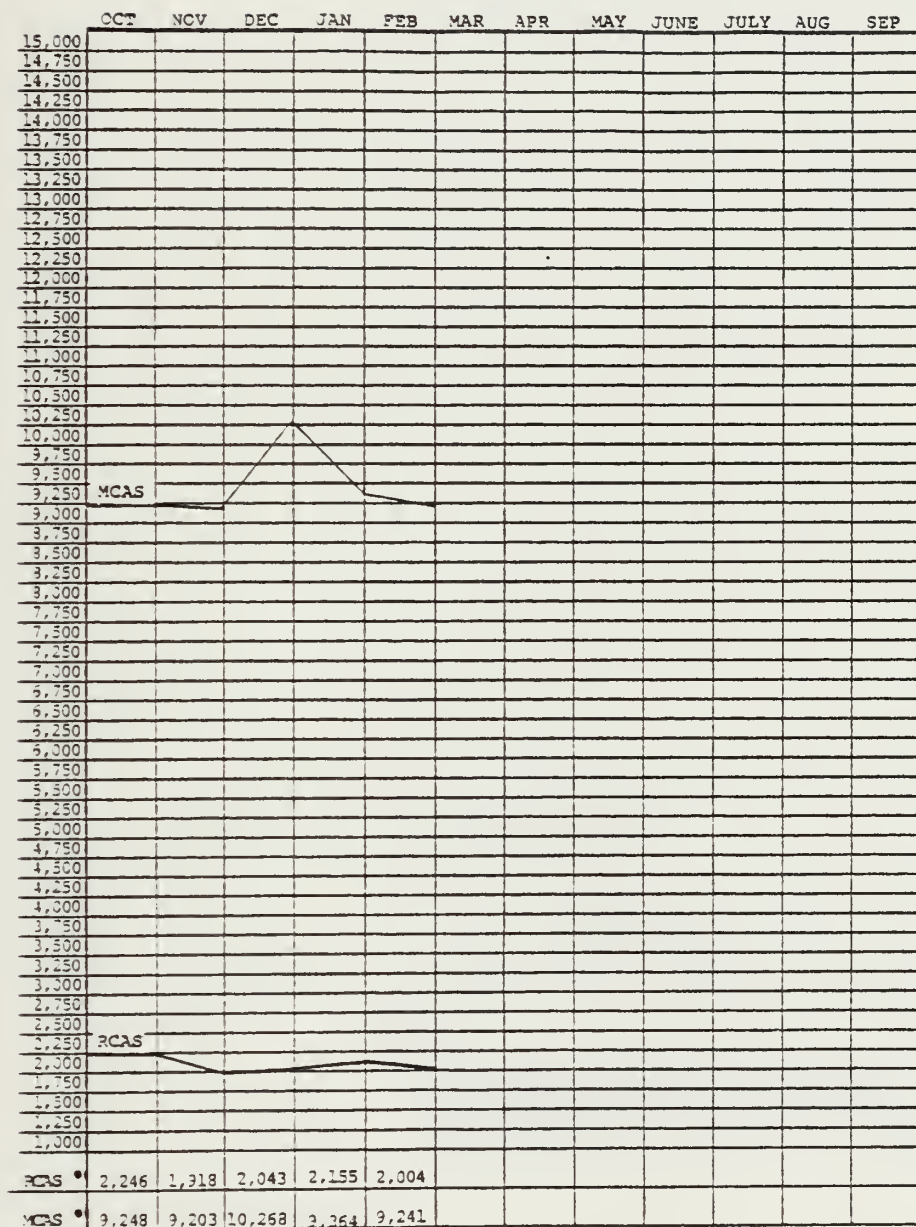
	1978	1979	1980	OCT '80	NOV '80	DEC '80	JAN '81	FEB '81	MAR '81	APR '81
1,500,000										
1,450,000										
1,400,000										
1,350,000										
1,300,000										
1,250,000										
1,200,000										
1,150,000										
1,100,000										
1,050,000										
1,000,000										
950,000										
900,000										
850,000										
800,000										
750,000										
700,000										
650,000										
600,000										
550,000										
500,000										
450,000										
400,000										
350,000										
300,000										
250,000										
200,000										
150,000										
100,000										
50,000										
MCAS:										
Amount	\$956,037	\$958,275	\$1,069,130	\$936,488	\$1,119,085	\$1,318,544	\$1,207,938	\$1,101,975	\$1,053,563	
Work	20	22	21	22	18	21	21	19	22	
Days										
RCAS:										
Amount	\$225,058	\$240,618	\$258,920	\$323,736	\$285,238	\$253,922	\$240,235	\$322,725	\$267,879	
Work	20	21	21	22	18	21	21	19	22	
Days										

AVERAGE DAILY CASH REPORTS - MCAS/RCAS

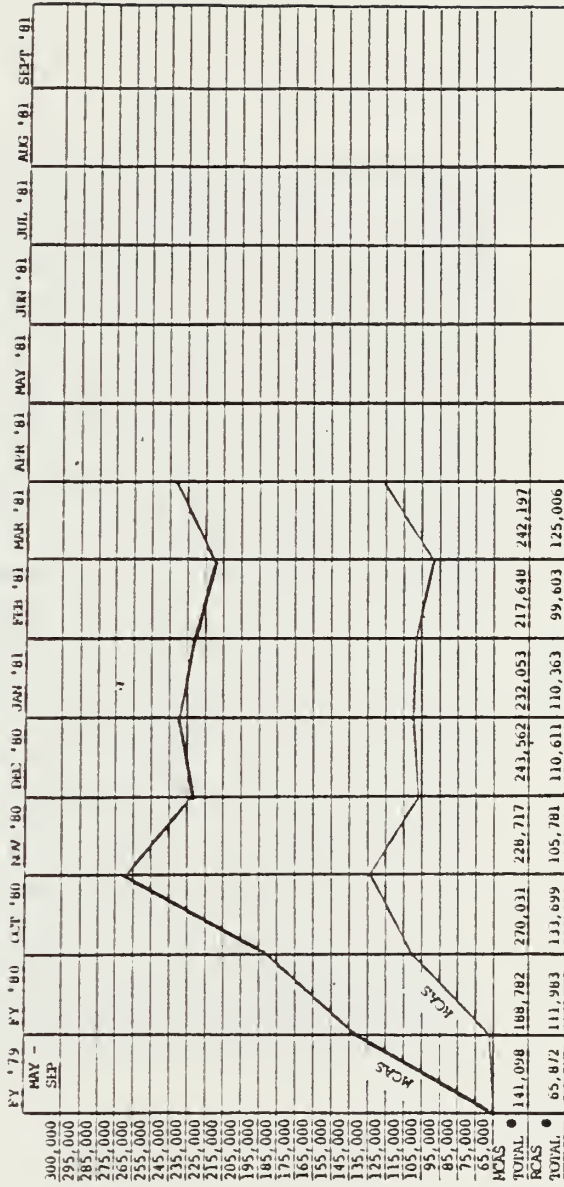
FY-81



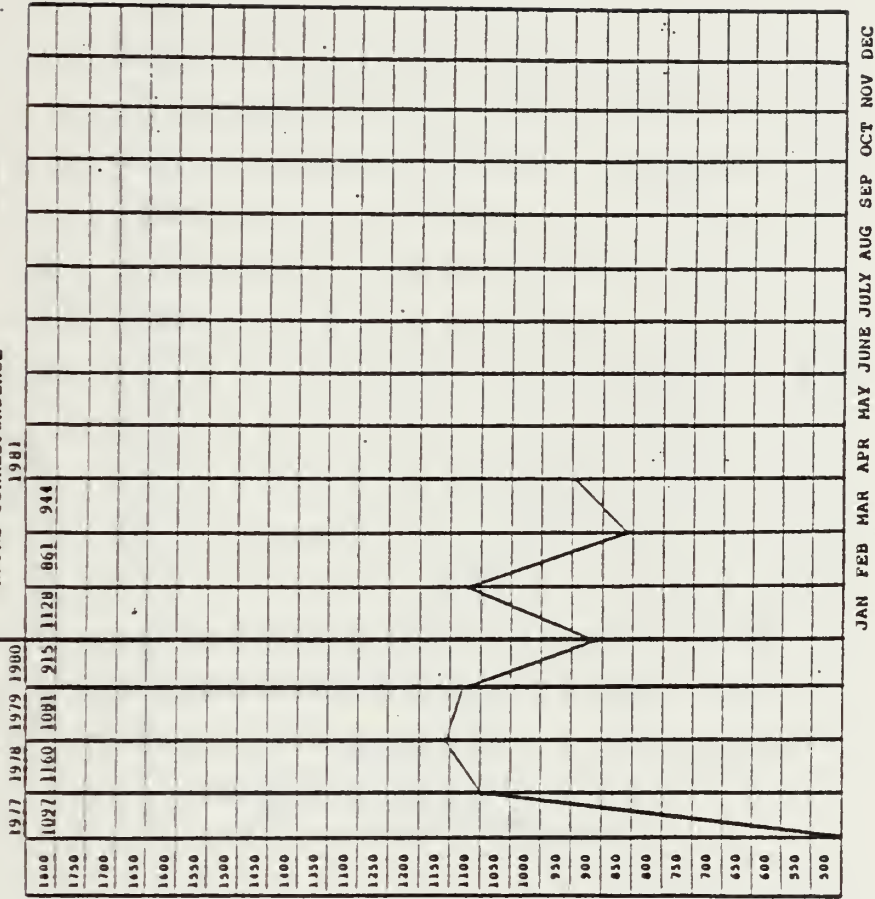
CASH RECEIPT DOCUMENTS
MCAS/RCAS
FY 81



KEY ENTRY RECORD STATISTICS



NAFAB CORRESPONDENCE



RAFAS TURNAROUND STATISTICS (WORKING DAYS)

	FY 76	FY 77	FY 78	FY 79	FY 80	Q.T. 80	Q.M. 80	DEC 80	JAN 81	FEB 81	MAR 81	APR 81	MAY 81	JUN 81	JUL 81	AUG 81	SEP 81
11																	
10																	
9																	
8																	
7																	
6																	
5																	
4																	
3																	
2																	
1																	
RCAS •	10.9	4.9	5.2	6.5	5.8	3.6	2.6	3.3	2.2	4.6							
HIGH						10.3	2.2	1.2	1.2	3.0							
LOW						.3	.2	.2	.2	.3							
MCAS •	6.8	3.8	4.5	5.1	5.1	2.9	1.5	1.7	1.3	1.3							
HIGH						8.3	5.2	6.2	6.0	7.1							
LOW						.3	.2	.3	.2	.3							

APPENDIX H

MISCELLANEOUS "TOUCH-PAY" PAYROLL ACCOUNTING REPORTS

DEPARTMENT SUMMARY										PAGE 1
PERIOD ENDING 3/29/81 PAY DATE 03/27/81										
* * DIVISION 10 DEPARTMENT 01 TOTALS * *										
REG HOURS	OVERTIME HOURS	OTIF HOURS	HOLIDAY HOURS	VACATION HOURS	SICK HOURS	SPECIAL A HOURS	SPECIAL B HOURS	SPECIAL C HOURS	REG PAY	OVERTIME PAY
411.00				1.00				6,081.42		
OTIF PAY	OTIF PAY	HOLIDAY PAY	VACATION PAY	SICK PAY	SPECIAL A PAY	SPECIAL B PAY	SPECIAL C PAY	SPECIAL D PAY	DECLARED TIPS	UNDCL TIPS
			16.90							
F I T	F I C A	S O I	S I T	ADVANCES	HOUSP INS	E I C				
1,028.15	502.53		265.47							
NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY
6,158.37	3,186.15		62.00	52.16	994.72	6.25				
DED 36	DED 37	DED 38	DED 39	DED 40	DED 41	DED 42	DED 43	DED 44	DED 45	DED 46
21.54										
* * DIVISION 10 DEPARTMENT 02 TOTALS * *										
REG HOURS	OVERTIME HOURS	OTIF HOURS	HOLIDAY HOURS	VACATION HOURS	SICK HOURS	SPECIAL A HOURS	SPECIAL B HOURS	SPECIAL C HOURS	REG PAY	OVERTIME PAY
153.00				5.00	2.00			1,038.02		
OTIF PAY	OTIF PAY	HOLIDAY PAY	VACATION PAY	SICK PAY	SPECIAL A PAY	SPECIAL B PAY	SPECIAL C PAY	SPECIAL D PAY	DECLARED TIPS	UNDCL TIPS
			35.95							
F I T	F I C A	S O I	S I T	ADVANCES	HOUSP INS	E I C				
587.05	128.21		82.14							
NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY	GRASS PAY	NET PAY
1,963.45	1,205.19		14.00	14.00						
DED 36	DED 37	DED 38	DED 39	DED 40	DED 41	DED 42	DED 43	DED 44	DED 45	DED 46
9.26										

TIPIC-PAY SYSTEMS CLIENT ADDRESS NAME		STATE DEDUCTION SUMMARY					01/26/01
STATE NUMBER	STATE NAME	STATE TAX	CITY TAX	COUNTY TAX	SDI TAX	ETC	
09	DIST OF CO	112.42					
21	MARYLAND	415.83					
47	VIRGINIA	2,016.90					
TOTAL STATE TAX		2,565.55					

EMP. 0007 4514 JOHN TYLER CL # 22003 DEPT. 10 SOC SEC NO 235-82-0486 HIRE DATE 12-27-76 CURRENT RATE 8.089 MARITAL STATUS - S
ANNANDALE VA

PERIOD FINING	CHECK NO	REG HRS	REG EARN	U.T. EARN	UHI EARN	GROSS AMT	TIPS	MEALS	FIT	FICA	SOI	SIT	VOL DED	NET AMT
11-11-80	00459	70.00	555.45		80.87	636.34			118.06	39.01		25.36	77.75	376.16
11-25-80	00464	61.00	493.43		153.69	647.12			121.29	30.24		25.98	11.75	457.86
11-CA-80	A051C												66.00	46.00
11-01-80	00470	72.00	582.41		64.71	647.12			121.29	35.71		25.98	11.75	452.39
11-22-80	00475	9.00	72.80		574.32	647.12			121.29	24.59		25.98	11.75	463.81
12-06-80	00480	76.00	614.76		32.36	647.12			121.29	39.67		25.98	11.75	448.43
12-20-80	00485	61.00	493.43		153.69	647.12			121.29	38.18		25.98	11.75	449.92

UHI YEAR	REG-HRS	UVT-HRS	DBL-HRS	OFF-HRS	HUL-HRS	VAC-HRS	SCK-HRS	REG-AMT	UVT-AMT	DBL-AMT	OFF-AMT
1980	349.00					70.00	61.00	2,812.28			
1981	1,831.00	6.00				187.00	159.00	12,760.96	60.26		

UHI YEAR	HUL-AMT	VAC-AMT	SCK-AMT	SPEC A	SPEC B	SPEC C	SPEC D	FIT	FICA	SOI	SIT
1980	1,427.32	566.23	493.43					724.51	207.10		517
1981	1,427.32	1,202.11	1,202.11					2,749.14	800.68		155.26

QIP YEAR	CITY	CHRY	ETC	OCCL TIP	UNCL TIP	MEALS	GROSS	NET	TIP-CR-HRS	DED-30	DED-31
1980	115.50	162.00					3,871.94	2,714.57			42.00
1981	115.50	162.00					15,450.65	10,765.94			179.42

QIP YEAR	DED-32	DED-33	DED-34	DED-35	DED-36	DED-37	DED-38	DED-39	DED-70	DED-71	DED-72
1980	20.50										
1981	115.50			1.00							

QIP YEAR	DED-71	DED-74
1980		
1981		

ACTIVITY NAME - NAVAL MILITARY PERSONNEL CUMMINS

LOCATION - 10007R

EMPL NUM	DATE DEPT	EMPL TYPE	SOC SEC NUMBER	STATE CODE	RCAL ACCRUAL	SHIFT RATE	HIRE DATE	RIPEL DATE	ELAVE ACCRUAL	TEDEL MO 3	STATE MO 3	FILE STATUS
0037	10	J	235-02-0406	47			12/24/76	06/11/50	7.5			ACTIVE
0051	01	J	556-66-3743	47			07/26/74	06/07/46	7.5		.040	ACTIVE
0052	21	J	226-82-6354	47			04/04/77	06/05/53	7.5		.060	ACTIVE
0094	01	J	578-66-1708	21			05/01/73	07/11/48	7.5	19.0		ACTIVE
0095	01	J	522-58-1352	47			06/01/75	08/11/45	7.5	21.0		ACTIVE
0096	07	J	039-24-0638	47			07/19/62	07/22/47	7.5	21.0		ACTIVE
0097	20	J	217-12-1043	47			12/19/62	10/01/21	10.0	25.0	.060	ACTIVE
0099	17	J	401-16-8891	47			03/09/79	11/01/22	7.5	36.0	.110	ACTIVE
0100	17	J	217-10-4595	47			10/11/77	11/22/55	7.5	15.0		ACTIVE
0101	19	J	225-10-0737	47			06/15/70	09/02/49	7.5			ACTIVE
0102	07	J	056-18-2546	47			09/26/74	01/19/47	7.5	29.0	.060	ACTIVE
0105	07	J	286-22-6270	47			09/02/69	12/24/27	7.5	12.0		ACTIVE
0106	21	J	445-18-3020	47			03/26/73	06/24/26	7.5	27.0		ACTIVE
0111	19	J	118-22-9057	47			11/19/73	03/24/26	7.5		.070	ACTIVE
0113	10	J	297-05-3989	21			10/09/73	07/30/78	7.5			ACTIVE
0114	10	J	224-66-9996	47			07/18/73	02/10/47	7.5	14.0		ACTIVE
0120	08	J	225-50-8847	47			02/22/72	06/01/40	7.5	26.0	.090	ACTIVE
0121	17	J	115-18-7096	47			08/26/74	09/05/28	7.5			ACTIVE
0122	21	J	228-72-2881	47			12/21/73	09/19/50	7.5		.040	ACTIVE
0126	23	J	353-36-1287	47			02/01/73	10/08/46	7.5			ACTIVE
0127	01	J	512-54-6706	47			10/07/74	07/04/42	7.5			ACTIVE
0128	02	J	124-28-1220	47			06/17/74	02/23/38	7.5		.040	ACTIVE
0129	11	J	191-16-2066	47			11/04/76	12/22/22	7.5			ACTIVE
0130	01	J	233-12-6473	47			07/16/73	09/14/48	7.5		.090	ACTIVE
0131	01	J	217-12-0480	21			05/01/62	11/18/14	10.0	24.0		TERMIN
0132	21	A	228-82-5628	47			06/24/74	08/11/53	7.5			ACTIVE
0133	01	J	143-34-6818	47			07/16/73	02/09/43	7.5			ACTIVE
0135	17	J	178-34-5660	47			01/03/72	07/05/43	7.5	17.0		ACTIVE
0136	09	J	211-32-1656	21			09/11/72	08/11/43	7.5			ACTIVE
0137	07	J	229-66-4387	47			03/11/75	06/01/50	7.5		.080	ACTIVE
0138	20	J	266-38-1208	21			06/02/69	03/19/32	7.5			ACTIVE
0228	11	J	362-56-5931	47			09/05/78	04/12/50	5.0			ACTIVE
0253	24	A	484-68-6267	47			12/18/78	07/29/52	5.0			ACTIVE
0263	00	A	227-78-6351	47			03/19/79	02/08/53	5.0			ACTIVE
0269	07	J	551-12-4570	09			05/23/77	03/01/52	7.5	19.0		ACTIVE
0274	20	J	231-98-1779	47			07/16/79	06/05/60	5.0			ACTIVE
0285	67	A	227-13-8964	47			09/10/79	09/05/53	5.0			ACTIVE
0286	18	A	219-64-0043	21			08/21/79	09/24/25	5.0			ACTIVE
0289	25	J	578-24-1148	47			10/15/79	09/21/54	5.0			ACTIVE
0293	21	A	260-54-1771	47			11/01/79	03/03/59	5.0			ACTIVE
0296	11	J	519-86-2677	21			12/10/79	07/01/50	5.0			ACTIVE
0299	13	J	213-34-8123	47			01/02/80	08/14/58	5.0			ACTIVE
0314	21	A	546-34-5431	47			02/04/80	08/23/26	7.5			ACTIVE
0310	00	J	533-34-8748	09			08/21/72	08/23/26	7.5			ACTIVE
0313	17	A	186-42-4739	47			11/06/78	09/08/50	5.0			ACTIVE

SICK LEAVE AND ANNUAL LEAVE REGISTER
FOR THE PAY PERIOD ENDED 03/20/81

1. TECH PAY SYSTEMS, INC
PROJECT NO. 105-A-NAV-02
ACTIVITY CODE - NAVAL MILITARY PERSONNEL COMMS

LOCATION - HQHTR

DT MTH	EMPLOYEE	S I C K L E A V E				A N N U A L L E A V E				B A L A N C E	
		ACCUR	REG-DAL	HOURS	CURR-EARN	HOURS	CURR-EARN	HOURS	CURR-EARN	HOURS	DOLLARS
01 0057		80.00	725.00	4.00	729.00	151.00	6.00	92.44	3.00	154.00	2372.83
01 0075		80.00	300.00	4.00	312.00	206.00	6.00	69.19		210.00	2421.72
01 0127		80.00	331.00	4.00	335.00	226.00	6.00	120.16		282.00	2657.61
01 0130		80.00	345.00	4.00	349.00	259.00	6.00	69.19		265.00	3055.98
01 0131		80.00	491.00	4.00	495.00	271.00	6.00	46.01	4.00	229.00	1756.20
01 0322		80.00	16.00	4.00	20.00	16.00	4.00	43.24		20.00	216.22
* HOME DEPT TOTAL			2316.00	25.00	2340.00	1133.00	34.00	530.23	7.00	1160.00	15470.56
01 0123		80.00	562.00	4.00	566.00	254.00	6.00	107.05	5.00	255.00	4503.62
01 0354		80.00	12.00	4.00	16.00	25.00	4.00	26.29		29.00	190.94
* HOME DEPT TOTAL			558.00	8.00	560.00	279.00	10.00	134.14	5.00	284.00	4774.56
01 0094		80.00	300.00	4.00	304.00	267.00	6.00	46.01		273.00	2093.63
01 0096		80.00	442.00	4.00	446.00	257.00	6.00	95.21		263.00	3748.27
01 0105		80.00	706.00	4.00	710.00	185.00	6.00	110.93	12.00	179.00	3309.53
01 0137		80.00	83.00	4.00	87.00	179.00	6.00	58.77	8.00	177.00	1739.73
01 0209		80.00	51.00	4.00	55.00	23.00	6.00	59.04	24.00	35.00	344.40
01 0205		80.00	26.00	4.00	30.00	51.00	6.00	53.00		53.00	322.98
01 0321		80.00	64.00	4.00	68.00	37.00	4.00	29.21	6.00	35.00	255.64
01 0332		80.00	50.00	4.00	54.00	44.00	4.00	29.21		48.00	350.59
01 0343		80.00	7.30	4.00	11.30	6.30	4.00	23.58		10.30	60.73
01 0352		80.00	14.00	4.00	18.00	16.00	4.00	29.21		20.00	146.08
* HOME DEPT TOTAL			1711.30	36.00	1709.30	1097.30	46.00	471.67	50.00	1093.30	12371.58
01 0102		80.00	876.00	4.00	880.00	245.00	6.00	127.44	4.00	247.00	5246.52
01 0120		80.00	574.00	4.00	578.00	225.00	6.00	90.69		231.00	3491.79
01 0201		80.00	79.00	4.00	83.00	30.00	4.00	32.36	8.00	26.00	255.84
01 0310		80.00	346.30	4.00	350.30	24.96	6.00	41.28	1.00	29.96	206.12
* HOME DEPT TOTAL			1875.30	16.00	1869.30	524.96	22.00	298.77	13.00	533.96	9200.27
01 0132		80.00	530.00	4.00	534.00	211.00	6.00	131.08	8.00	209.00	4566.23
01 0314		80.00	19.60	4.00	23.60	4.60	4.00	26.29		52.60	345.73
* HOME DEPT TOTAL			569.60	8.00	572.60	259.60	10.00	157.37	8.00	261.60	4911.96
01 0607	VC KING	80.00	31.00	4.00	35.00	37.00	6.00	50.15		43.00	359.43

PAYROLL REGISTER

0905	00	10	NAVAL	MILITARY	PERSONNEL	CUMMUND	PERIOD	03-28-81	03-27-81	PAGE
STATE W-9										
	01	0057	123764	0197	20096	4931	1600 31	1073 32	431 36	1194 71
			362358	56560	140392	34517				05220
	01	0075	92256	6115	19374	4315	042 32	323 36	923 71	
			645792	41105	135618	30205				05221
	01	0127	140216	10695	36411	7692	1600 31	1772 32	99472 33	560 36
			1121512	44511	254177	53044	1154 71			05222
	01	0140	92256	6135	17803	4315	700 31	794 32	625 34	323 36
			645792	41113	127763	29939	923 71			05223
	01	0133	61152	4003	9590	2538	700 31	450 32	215 36	614 71
			410952	27008	64604	17160				05224
	01	0350	86400	5752	6002	2656	1600 31	905 32	302 36	465 71
			518920	34509	50708	17544				05225
	02	0120	143001	9324	39979	7013	700 31	1000 32	742 36	1154 71
			1006602	65063	279040	49091				05226
	02	0354	52534	3397	8726	1901	700 31	400 32	104 36	526 71
			355599	22017	57034	12658				05227
	07	0094	61152	4000	11657	3681	1300 31	546 32	215 36	614 71
			429464	27539	01599	25767				05228
	07	0096	114016	7582	23443	5433	700 31	775 32	475 35	1140 71
			784320	51422	164705	37239				05229
	07	0105	147912	9836	42994	8875	1600 31	1025 32	2500 34	518 36
			1035306	66763	300258	62125	1154 71			05230
	07	0137	78631	3530	13928	3531	700 31	575 32	50 35	
			550424	33597	97502	24718				05231
	07	0265	78720	5235	14957	5468	700 31	701 32	275 36	707 71
			551040	25597	104699	38276				05232
	07	0120	58432	3045	10246	2237	636 32	214 36	584 71	
			439024	26666	71722	15659				05233
	07	0335	58432	3405	1059	2237	1300 31	450 32	204 36	584 71
			409024	27200	50413	15659				05234
	07	0349	47174	3137	7420	1613	700 31	472 71		
			244355	15172	16057	8024				05235
	07	0352	58432	3392	10246	2260	700 31	450 32	748 36	584 71
			439024	26666	71722	15320				05236

PAYROLL REGISTER

[illegible]

• • DEFINITION OF SCALPILLOUS • •

34-5 SAV DUPTD	33-CAID UNB4	32-GRP LIFE	31-INDP INS	30-ALPHA FES
			16-WE D1141	V5-1141
			11-D150 FAS	
		12-12-15		
	12-90-	12-1-1-1		

UNDECLARED TIPS	=	.00
DECLARED TIPS	=	.00
MEALS SUBMITTED	=	.00
MEALS APPLIED ONLY	=	.00

•• TAXABLE EARNINGS ••	
FICA TO 24,700 = 134,671.69	
•• EMPLOYERS TAX LIABILITY ••	
FICA = 8,955.67	
•• TOTAL	8,955.67

•

•• CLIENT TOTALS ••

SIGNATURE -----

[illegible]

1. EMPLOYEE: LEE, DANIEL 3-21-81

EMPLOYEE DIV EMP NO.		REG.	HOURS		D.I.	MISC.	REG.	P A Y		D.I.	MISC.	TYPE	DED.	REMARKS	
905	10	0001	72.00									10			
905	10	0007				8.00						16			
905	10	0057	17.00									10			HRS TO PAY = \$66.87
905	10	0058				1.00						15			
905	10	0092	80.00									10			
905	10	0094	80.00									10			
905	10	0095	80.00									10			
905	10	0096	80.00									10			
905	10	0097	66.00									10			
905	10	0098				15.00						14			
905	10	0099	78.00									13			
905	10	0100				2.00						14			
905	10	0101				5.00						16			
905	10	0102	78.00			14.00						14			HRS TO PAY = \$29.05
905	10	0103										10			
905	10	0104	71.00			2.00						16			HRS TO PAY = \$16.07
905	10	0105				5.00						16			
905	10	0106				4.00						15			HRS TO PAY = \$106.21
905	10	0107	68.00									10			
905	10	0108	72.00			12.00						14			
905	10	0109				9.00						10			HRS TO PAY = \$143.80
905	10	0110	80.00									10			
905	10	0111	56.00									10			
905	10	0112	72.00			24.00						14			
905	10	0113										10			
905	10	0114	72.00			8.00						15			
905	10	0115	80.00									10			
905	10	0116	73.00									10			
905	10	0117				7.00						16			HRS TO PAY = \$115.05
905	10	0118	72.00									10			
905	10	0119				8.00						16			HRS TO PAY = \$103.66
905	10	0120	78.00			2.00						14			
905	10	0121	80.00									13			994.72
905	10	0122	73.00									10			
905	10	0123	80.00									10			
905	10	0124	73.00									16			HRS TO PAY = \$35.95
905	10	0125	40.00			5.00						14			
905	10	0126										10			
905	10	0127	80.00									16			HRS TO PAY = \$400.75
905	10	0128	64.00			16.00						14			
905	10	0129										10			
905	10	0130	80.00									10			
905	10	0131	64.00									16			HRS TO PAY = \$54.34
905	10	0132				8.00						14			
905	10	0133	16.00									10			
905	10	0134	72.00			4.00						14			
905	10	0135										10			
905	10	0136				8.00						14			

1/6/05 1.0032701

CURRENT BALANCE 3-27-01

PAGE 4

CLIENT DIV CREDIT BALANCE 3-27-01

REG. U.I. D.I. MISC. REG. U.I. D.I. MISC. TYPE DEU. REMARKS

905	10	TOTAL HOURS ACCEPTED	4,258.00	TOTAL DOLLARS ACCEPTED	1994.72
905	10	TOTAL HOURS PER CONTRIB	4,258.00	TOTAL DOLLARS PER CONTRIB	1994.72
905	10	DIFFERENCE	.00	DIFFERENCE	\$.00

APPENDIX I

SENIORITY AND EXPERIENCE LEVELS OF SURVEY PARTICIPANTS

<u>NAVY RANK</u>	<u>MCAS</u>	<u>RCAS</u>	<u>TOTAL</u>
E-6	9	2	11
E-7	9	2	11
E-8	8	2	10
E-9	3	1	4
CWO	2	3	5
O-1	3	1	4
O-2	1	2	3
O-3	1	1	2
O-4	5	3	8
TOTALS	41	17	58

CIVILIAN GOVERNMENT SERVICE (GS) AND NONAPPROPRIATED FUND EMPLOYEES (UA)

<u>GS/US LEVELS</u>	<u>MCAS</u>	<u>RCAS</u>	<u>TOTAL</u>
5	4	0	4
6	6	0	6
7	9	1	10
8	1	0	1
9	19	12	31
10	3	5	8
11	23	18	41
12	16	15	31
13	7	8	15
14	2	2	4
TOTALS	90	61	151

FOREIGN CIVIL SERVANT 5

TOTAL NAVY, GS/US, AND FOREIGN CIVIL SERVANTS 214

EXPERIENCE LEVELS OF SURVEY PARTICIPANTS

MCAS ACTIVITIES

<u>YEARS SERVED AT FIELD ACTIVITY</u>	<u>NUMBER</u>
Less than 1	19
1 - 2.9	55
3 - 5.9	26
6 - 9.9	17
10 or more years	20

RCAS ACTIVITIES

<u>YEARS SERVED AT FIELD ACTIVITY</u>	<u>NUMBER</u>
Less than 1	5
1 - 2.9	26
3 - 5.9	16
6 - 9.9	14
10 or more years	15

ALL ACTIVITIES

<u>YEARS SERVED AT FIELD ACTIVITY</u>	<u>NUMBER</u>
Less than 1	24
1 - 2.9	81
3 - 5.9	42
6 - 9.9	31
10 or more years	35
TOTAL	213

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